BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AN/PR/2025-26/31502]

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

In respect of:

Gretex Corporate Services Limited
PAN: AACCD9875F
CIN: L74999MH208PLC288128

In the matter of Gretex Corporate Services Limited (as Listed Company)

A. BRIEF BACKGROUND

1. SEBI examined the IPO of Gretex Corporate Services Limited (hereinafter also referred as 'Noticee'/ 'Gretex'/ 'MB'/ 'Issuer'/'entity') with respect to the utilization of the issue proceeds inter alia to check (i) whether the purpose for which these proceeds were raised has been achieved in the manner as specified in their Prospectus dated July 19, 2021 and (ii) whether the same was in compliance with Regulation 32 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations, 2015').

2. Pursuant to the examination, SEBI inter alia observed and alleged the violations of Regulation 32 of LODR Regulations, 2015; Regulation 245 read with Schedule VI of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('ICDR Regulations, 2018'); Regulation 30 of LODR Regulations, 2015 read with Annexure I of SEBI circular dated September 09, 2015.

3. In view thereof, SEBI initiated Adjudication Proceedings in respect of Gretex under Section 15 I of the Securities and Exchange Board of India Act, 1992 ('SEBI Act, 1992', in short), for the alleged violations, as stated.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticee, as stated above and therefore, in exercise of the powers conferred under Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 19 of the SEBI Act, 1992, the Competent Authority appointed the undersigned as Adjudicating Officer vide order dated March 18, 2024 to inquire into and adjudge under Section 15HB of the SEBI Act, 1992 for the alleged violation by the Noticee. The said proceedings of appointment were communicated to the undersigned vide Communique dated March 20, 2024.

5. The Noticee had filed suo motu settlement application inter alia for settling the instant Adjudication Proceedings. In this regard, reference was drawn to Regulation 8(2) of Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 ('Settlement Regulations') which inter alia reads as under:

> *…*
> *Where the application is filed in case of proceedings that may be initiated against the applicant, such proceedings shall not be initiated till the application is rejected or withdrawn:*
> *Provided that, the filing of an application shall not prohibit the initiation of any proceedings, in so far as may be deemed necessary for the purpose of issuance of interim civil and administrative directions to protect the interests of investors and to maintain the integrity of the securities markets.*
> *…'* *(emphasis supplied)*

6. Vide email dated December 16, 2024, SEBI had informed that the settlement application was rejected by the Panel of Whole Time Members of SEBI in terms of Regulation 15(1) of the SEBI (Settlement Proceedings) Regulations, 2018, as Noticee was not agreeing to comply with the condition to make disclosure under Regulation 32 of LODR Regulations, 2015. The same had been informed by SEBI to Gretex vide SEBI email/letter dated December 09, 2024.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

7. A Show Cause Notice bearing reference No. *SEBI/HO/EAD/EAD5/P/OW/2023/39270/1* dated December 23, 2024 (**'**SCN**'**) was duly served upon the Noticee in terms of Rule 4(1) of SEBI Adjudication Rules vide digitally signed email dated December 23, 2024 and also through Speed Post Acknowledgment Due (SPAD) inter alia to show cause as to why inquiry should not be held and penalty, if any, be not imposed under Section 15HB of the SEBI Act, 1992 for the alleged violations by the Noticee, as stated.

8. The key allegations in respect of the Noticee inter alia brought out in the SCN are as under:

   8.1. Failure to Submit Statement of deviation or variation: The entity failed to submit to the stock exchanges the statement of deviations despite not using the issue proceeds as per the purpose for which these proceeds were raised. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 32 of LODR Regulations, 2015.

   8.2. False and misleading disclosure in the Prospectus of its IPO: The entity made a false disclosure in the Prospectus that the Company will not divert the IPO proceeds in Real estate products but the company ultimately diverted the IPO proceeds in buying a flat via investment made in its subsidiary. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 245 read with Schedule VI of ICDR Regulations, 2018.

   8.3. Disclosure violation: The entity failed to adequately disclose the details of the acquisition of shares in a private company M/s Sunview Nirman Private Limited to make it its subsidiary. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 30 of LODR Regulations, 2015 read with Annexure I of SEBI circular dated September 09, 2015

9. Vide email dated December 24, 2024, Noticee acknowledged the receipt of the SCN. Vide email dated January 06, 2025, Noticee requested for inspection of documents. In this regard, vide email dated January 06, 2025, Noticee was provided with an opportunity to inspect the documents on January 10, 2025. The Noticee availed the opportunity of Inspection of documents on the scheduled date viz. January 10, 2025. Further, vide emails dated April 30, 2025, Noticee was provided with documents, as sought vide its letter dated April 17, 2025.

10. In the interest of principles of natural justice, vide Hearing Notice dated April 03, 2025, an opportunity of hearing was afforded to the Noticee on April 23, 2025. Vide email dated April 21, 2025, the hearing was rescheduled to April 30, 2024 owing to exigencies. On the scheduled date of hearing i.e. April 30, 2025, the Noticee availed the opportunity of hearing through its Authorised Representatives (ARs) viz., Mr. Sumit Agrawal, Mr. Abhineet Pange, Mr. Kavish Garach, Ms. Aditi Sahu, and Ms. Prachi Bothra (i/b Regstreet Law Advisors), Mr. Alok Harlalka (Managing Director of Gretex) and Mohammed Nabeel Shamsi (Vice President of Gretex). During the hearing, the ARs relied upon and reiterated the submissions made vide Noticee's letter dated April 17, 2025. The ARs sought additional time till May 05, 2025 to make further submissions as final and complete submissions in the instant proceedings, accordingly the same was allowed. In this regard, vide letter dated May 05, 2025, Noticee submitted its written submissions in furtherance of personal hearing held on April 30, 2025.

11. The key submissions made by Noticee vide letter dated April 17, 2025 and May 05, 2025, as replies to the SCN are as under:

Submissions dated April 17, 2025:

'…

Allegation 1: Failure to submit statement of deviation or variation

…

A. NO DEVIATION IN UTILISATION OF THE IPO PROCEEDS.

37. The Noticee submits that it promptly and fully utilised the IPO proceeds allocated towards one of the stated objects of the issue, namely, 'Payment of security deposit for renting of office space.' In line with this, the Noticee secured an office space located in Malad, Mumbai, and commenced operations from the leased premises on August 09, 2021, as disclosed in its Prospectus.

38. It is submitted that the said office space was taken on lease in view of the pandemic restrictions and to facilitate ease of movement for its employees who were based in the suburban regions of Mumbai and who had to otherwise travel a larger distance to the Noticee's registered office situated at Office No. 13, 1st Floor, Bansilal Mansion, 9-15, Homi Modi Street, Fort, Mumbai – 400 001, Maharashtra, India (disclosed as registered office of the Noticee in its Prospectus dated July 19, 2021).

39. *At the outset, it is submitted that there is no deviation of IPO proceeds whatsoever and SEBI has wrongly alleged the same against the Noticee. In this regard, the relevant portion of Regulation 32 of the LODR Regulations and the Utilization of Net Fresh Issue Proceeds as disclosed under the prospectus is reproduced hereinbelow:*

Regulation 32 of 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"

(Emphasis Supplied)

Utilization of Net Fresh Issue Proceeds

"The Net Fresh Issue Proceeds are proposed to be used in the manner set out in the following table:

Sr. No.	*Particulars*	*Total Estimated Amount*	*Amount deployed as at June 01, 2021*	*Balance Amount to be deployed*	*Amount proposed to be financed from Net Issue Proceeds*
1.	*Payment of Security Deposit for renting of office space*	*300.00*	*45.00*	*255.00*	*255.00*

The entire amount is proposed to be funded from the Net Proceeds to be utilized in the Financial Year 2021-22."

40. *From the above, it is evident Regulation 32 of the LODR Regulations mandates listed entities to report any deviation in the utilization of IPO proceeds from the stated objects in the offer document on a quarterly basis 'till such time the issue proceeds have been fully utilised'. In adherence to this requirement, the Noticee duly filed a disclosure with BSE on October 13, 2021, presenting the Statement on Deviation/Variation as of September 30, 2021, which was the first quarterly statement post-listing. The said disclosure explicitly confirmed that there was no deviation or variation in the utilization of IPO proceeds. A copy of the disclosure dated October 13, 2021, is annexed hereto as Annexure Q.*
41. *It is pertinent to note that the Prospectus allocated INR 2.55 Crore for the purpose of 'Payment of Security Deposit for renting of office space.' As per Regulation 32, any deviation from this allocation must be reported. However, the Noticee fully utilized the allocated amount by paying INR 2.55 Crore to B-Right for the intended purpose.*
42. *Once the entire INR 2.55 Crore was utilized for the specified purpose, the condition under Regulation 32(2) requiring continuous disclosure until the amount is 'fully utilized' was satisfied. Therefore, there can be no question of deviation once the allocated amount has been fully and proportionally utilized as per the Prospectus.*
43. *SEBI's interpretation with respect to Regulation 32(2) is completely flawed as under Regulation 32 there is no requirement to disclose further utilization of funds over and above the dedicated utilization as in this case was INR 2.55 Crore. It is well settled that something which a statute does not provide cannot be expressly read into. Reliance in this regard is placed on the judgment of the Hon'ble Supreme Court in Shiv Shakti Coop. Housing Society v. Swaraj Developers & Ors wherein the following was observed:*

"It is well settled principle in law that the Court cannot read anything into a statutory provision which is plain and unambiguous. A statute is an edict of the Legislature. The language employed in a statute is the determinative factor of legislative intent. Words and phrases are symbols that stimulate mental references to referents. The object of interpreting a statute is to ascertain the intention of the Legislature enacting it. (See Institute of Chartered Accountants of India v. M/s Price Waterhouse and Anr. (AIR 1998 SC 74)) The intention of the Legislature is primarily to be gathered from the language used, which means that attention should be paid to what has been said as also to what has not been said. As a consequence, a construction which requires for its support, addition or substitution of words or which results in rejection of words as meaningless has to be avoided"

(Emphasis Supplied)

44. *Reliance is also placed on M/s. Hiralal Ratanlal vs. STO wherein the Hon'ble Supreme Court observed:*

"In construing a statutory provision, the first and foremost rule of construction is the literal construction. All that the Court has to see at the very outset is what does the provision says. If the provision is unambiguous and if from the provision the legislative intent is clear, the Court need not call into aid the other rules of construction of statutes. The other rules of construction are called into aid only when the legislative intent is not clear."

(Emphasis Supplied)

45. *In light of the above, it is unequivocally clear that the Noticee has not violated Regulation 32 of the LODR Regulations. The IPO proceeds were utilized strictly in accordance with the stated objects in the Prospectus, and no deviation occurred. SEBI's allegations are based on a misinterpretation of the regulation, which does not mandate disclosure beyond the full utilization of the allocated funds for the specified purpose.*
46. *That being said, the Noticee utilised the Malad office space for approximately four months (from August 09, 2021 to December 30, 2021). During this period, as pandemic restrictions eased significantly, the management internally decided to vacate the premises before the completion of the lease term. The decision was driven by several operational and strategic considerations, including commuting challenges faced by the senior management, and dissatisfaction among employees regarding the overall building and workplace infrastructure. These factors, coupled with infrastructural limitations, higher operating costs, and difficulties in achieving seamless workflow integration with the registered office, led to the conclusion that the continued use of the Malad office no longer served the intended purpose.*
47. *Therefore, continuing with the Malad office was not in alignment with the objectives envisaged by the Noticee in its Prospectus. Accordingly, the Noticee terminated the lease agreement with B-Right and received a full refund of the security deposit amounting to INR 3 Crores.*
48. *Additionally, it is submitted the rationale submitted by the Noticee serves as a reasonable explanation furnished by the Company and we cannot lose sight of the fact that the Company and its board of directors are the best judges of the interest of their shareholders and it was primarily a business decision which the Company took and neither the Board nor we can substitute our own views for theirs. We fail to understand how the Board is concerned about whether the Company achieves operational efficiency by retaining the Malad office lease or not. This is not a matter which affects the securities market. It cannot interfere with the business decisions taken by the Company so long as they do not prejudicially affect the securities market. The same was upheld by Hon'ble SAT in the case of D-Link (India) Limited v. SEBI - Order dated July 14, 2008 in SAT Appeal No. 120 of 2007.*
49. *Furthermore, the MOU / Lease Deed for the Malad office space was executed for a period of 10 years, it included a provision for early termination, taking into account the uncertainties posed by the pandemic. The relevant clause of the agreement is as follows:*

"1. The Lease amount shall be refunded by the Licensor to the Licensee at the expiry of the Lease period or any early termination of this said agreement after deducting any amounts towards the damages caused to the schedule property."

50. *In light of the above, the Noticee submits that it has fully utilised the IPO proceeds in line with the stated objects of the Prospectus and has complied with all regulatory requirements. The allegations of deviation or non-disclosure are baseless and without any merit.*

B. SUBSEQUENT INVESTMENT BY THE NOTICEE WAS PERMISSIBLE UNDER THE PROSPECTUS

51. *SEBI's observation that the IPO proceeds were ultimately diverted into real estate or real estate linked products is unfounded. The funds were invested in fixed deposits and subsequently in Sunview, both permissible actions under the Prospectus.*
52. *The Noticee invested the amount of INR 3 crores received as refund in fixed deposits with IDFC Bank (a Scheduled Commercial Bank), which was explicitly permissible and valid in terms of the Prospectus. The interim utilization of issue proceeds as stated in the Prospectus are reproduced below:*

"Interim Use of Proceeds

Pending utilization of the Issue proceeds of the Issue for the purposes described above, our Company will deposit the Net Proceeds with scheduled commercial banks included in schedule II of the RBI Act."

(Emphasis Supplied)

Further, this was redeemed by the Noticee on March 09, 2022.

53. *Furthermore, the Noticee had also executed a loan agreement with Sunview on March 05, 2022 which was permissible under the Prospectus. The same had an option for conversion in equity. The Noticee invested in Sunview, a company, as part of its business objectives. The same cannot amount to 'investing in any real estate or real estate linked products'.*

54. *Thereafter, the Noticee made a disclosure dated March 17, 2022 on the BSE, under Regulation 30 of the LODR Regulations whereby its Board of directors approved the investment of the unutilised funds of the Noticee.*
55. *Accordingly, on March 17, 2022, the Noticee converted its loan of INR 4 crores to equity in Sunview, thereby acquiring shares as an investment. The same was also permissible under the 'Risk Factor' of the Prospectus which explicitly allowed flexibility in financing requirements and deployment of funds based on management estimates and market conditions. The relevant part is reproduced below:*

    "32. Our financing requirements and the deployment of the net proceeds of the Issue are based on management estimates and have not been independently appraised.

    Our financing requirements and the deployment of the net proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently our financing requirements and the expected deployment of the net proceeds of the Issue may also change."
56. *It is humbly submitted by the Noticee before the Ld. AO that the investment in Sunview was not a deviation from the stated objects. The interim investment in fixed deposits, the loan agreement with Sunview, and the subsequent conversion into equity were all permissible and aligned with the Noticee's stated objects and operational flexibility. Therefore, it is submitted that the IPO proceeds were utilised in consonance with the Prospectus and there was no deviation / variation involved.*
57. *In fact, as abundant caution, the Noticee held a Board Meeting on May 26, 2023 for review of one of the points of the SEBI inspection and the Board of directors were of the view that there was no variation in relation to and in terms of object of the issue for utilization of funds. Therefore, in the opinion of the Noticee and its Board, there was no deviation or variation in the utilization of IPO proceeds and the funds were utilised for the said purpose as disclosed in the Prospectus. Copy of the Minutes of the Board Meeting dated May 26, 2023 is attached herewith as Annexure R.*
58. *In light of the above, it is submitted that the Noticee has fully utilised the IPO proceeds for the objects stated in the Prospectus and complied with all regulatory requirements. There was no deviation or variation in the utilization of funds, and SEBI's allegations lack substantive evidence. The Noticee has acted in good faith, with transparency, and in accordance with corporate governance standards. Accordingly, the allegations of deviation or non-disclosure should be dismissed.*

Allegation 2: False and misleading disclosure in the Prospectus of its IPO

59. *SEBI has observed that the Noticee made a false disclosure in the Prospectus that the Noticee will not divert the IPO proceeds in real estate products, but the Noticee ultimately diverted the IPO proceeds in buying a flat via investment made in its subsidiary.*
60. *In this regard, SEBI observed that the IPO proceeds were ultimately diverted into real estate as the flat purchased was a residential flat and the Noticee had not provided any supporting documents to use the flat commercially. Further, Sunview and the Noticee are under the same management having a common director Mr. Alok Harlalka. In absence of any supporting documents and the circumstantial probability, it can be construed that the said flat was being used for personal use of the promoter / directors of the Noticee.*
61. *It is submitted that the Noticee has neither made false or misleading disclosures in its Prospectus nor diverted IPO proceeds toward real estate products or real-estate linked products. The investment in Sunview was fully compliant with the objectives and restrictions outlined in the Prospectus and was duly disclosed. The subsequent purchase of the flat by Sunview was an independent corporate decision made by it and cannot be attributed to the Noticee. It is a bit far fetched to allege that investment made by another company into real estate business can be construed as it being made by the Noticee. SEBI has failed to consider that Sunview is a separate legal entity and any decision taken by Sunview cannot be controlled by the Noticee.*
62. *Therefore, the allegations of false and misleading disclosures in the Prospectus are unfounded and should be dismissed.*

C. INVESTMENT IN SUNVIEW WAS IN ACCORDANCE WITH THE PROSPECTUS AND DISCLOSURE OBLIGATIONS.

63. *The Noticee submits that it converted its loan of INR 4 crore to Sunview, in equity on March 17, 2022. The same was duly disclosed on March 17, 2022 under Regulation 30 of the LODR Regulations, wherein it was stated that the Board of Directors had approved the investment of unutilised funds of the Noticee. It is pertinent to note that the Noticee, invested the unutilised funds in acquiring a private company, Sunview.*
64. *It should be noted that the utilization of net issue proceeds of IPO, as stated in the Prospectus, specifically only prohibited the following:*

    "Our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any listed Company or for any investment in the equity markets or investing in any real estate product or real estate linked products."

    (Emphasis Supplied)

65. *Accordingly, the same was permissible and was duly disclosed as a risk under the 'Risk Factor' of the Prospectus. As can be observed from the above text in underlined and bold, the Prospectus explicitly prohibits use of the IPO proceeds for buying, trading or otherwise dealing in shares of any listed company or investment in the equity markets or in real estate products or real estate linked products. In this regard, it is submitted that the investment in Sunview was not related to buying, trading, or dealing in shares of any listed company, nor was it an investment in equity markets, real estate products, or real estate-linked products. Instead, the acquisition of equity in Sunview merely amounts investment in a private company and cannot be equated to investment in real estate or real estate linked products.*
66. *Thus, it is submitted that there was no deviation or variation in the utilization of IPO proceeds, and the investment was made transparently and in compliance with applicable laws. Accordingly, SEBI's observations regarding alleged false and misleading disclosure in the Prospectus are unfounded and should be dismissed.*

D. NO DIVERSION OF IPO PROCEEDS INTO REAL ESTATE PRODUCTS BY THE NOTICEE

67. *On March 21, 2022, Sunview purchased a flat in Dadar, Mumbai, for the consideration of Rs 6 crore, solely in its own name. It is to be noted that the Noticee was not a party to the Sale and Purchase Agreement dated March 21, 2022 executed for this transaction between Sunview and Mr. Zareer Pesi Bharucha.*
68. *SEBI's observation that the investment in flat constitutes a real estate product / real estate linked product attributable to the Noticee is factually incorrect. The flat was purchased by Sunview, not the Noticee, and the funds for this purchase were not sourced from the IPO proceeds. The flat in question was purchased by Sunview of its own volition and judgement. The Noticee was not a party to the sale and purchase agreement, and there is no evidence to suggest that the Noticee directed or influenced this decision.*
69. *The flat purchased by Sunview represents an independent corporate decision made by its management and Board of directors. Sunview, being a separate and distinct legal entity, exercised its independent corporate judgment in making the purchase. The Noticee neither directed nor influenced Sunview's decision to acquire the property. The Noticee cannot be held liable for how Sunview utilises its own funds post-investment. Holding the Noticee liable for the independent actions of Sunview would be contrary to principles of fairness and the legal doctrine of corporate separateness.*

E. CIRCUMSTANTIAL PROBABILITY IS NOT SUFFICIENT TO ESTABLISH THAT THE PROPERTY WAS USED FOR PERSONAL USE OF THE PROMOTOR OR DIRECTOR OF THE NOTICEE

70. *It is submitted by the Noticee that SEBI's reliance on circumstantial probability to infer personal use of the flat by the promoter or directors is speculative and lacks concrete evidence. Such allegations based solely on assumptions or indirect observations do not meet the threshold required to substantiate a claim of personal use by Mr. Alok Harlalka (Director).*
71. *The Noticee reiterates that the flat in Parel, Mumbai, was purchased solely by Sunview, a company in which the Noticee held an equity investment. There is no evidence to suggest that the flat was acquired for personal use by any individual associated with the Noticee.*
72. *It is further submitted that the acquisition of the flat by Sunview was driven by legitimate commercial considerations. One of the common directors of the Noticee and Sunview Nirman, originally based in Kolkata, had been residing in Mumbai on a rental basis, with the rent being paid by the Noticee Company. Additionally, given the frequent travel of various employees between the Company's offices in Kolkata and Mumbai, the management decided to purchase a property in Mumbai to serve as a Group Company guesthouse for use by directors and employees during official visits. Accordingly, the property was acquired to facilitate operational needs This substantiates that the purchase was for corporate purposes, and not for personal use by the promoter or directors of the Noticee.*

73. *The absence of concrete evidence makes the allegations speculative and unsubstantiated. The Noticee submits before the Ld. AO that the principles of natural justice and fairness require evidence-based conclusions, rather than based on conjectures and surmises. In light of the above, the Noticee requests that SEBI's claims based on circumstantial probability and unsupported inferences be dismissed.*

F. SUBSEQUENT RATIFICATION BY SHAREHOLDERS

74. *It is submitted by the Noticee that in July 2023, nearly a year after the investment in Sunview, the Noticee, in accordance with a Board Resolution dated June 09, 2023, and a shareholder resolution passed at the Annual General Meeting on July 11, 2023, approved the sale of the investment in Sunview. The Board also resolved to reinvest the proceeds from this sale in procuring a new office space for the Noticee. The Noticee had duly disclosed outcome of the Board Meeting / Annual General meeting to the BSE on June 09, 2023 and July 11, 2023, respectively.*
75. *Following the resolutions, the Noticee sold its investment in Sunview and received INR 4.61 crores. This entire process was approved and ratified by the shareholders, as evidenced by the resolutions passed during the Annual General Meeting dated July 11, 2023.*
76. *It is further submitted that on January 25, 2024, the Noticee invested in an office property situated at A-401, Floor 4th, Plot FP-616, (PT), Naman Midtown, Senapati Bapat Marg, Near Indiabulls, Dadar (w), Delisle Road, Mumbai, Mumbai-400013, Maharashtra, India, which currently serves as the Registered Office of the Noticee.*
77. *The principal of ratification, as laid down in various judgments, further validate the Noticee's actions. Reliance is placed on the judgment of the Hon'ble SAT in the matter of Terrascope Ventures Limited v. SEBI , where the following was held:*

> *"11. From the aforesaid, it is clear that ratifies / ratification means making valid of an act already done. Thus, even though the Company utilised the proceeds of the preferential issue for a different purpose in variance with the objects specified in the notice of the EOGM dated October 1, 2012 such variance in the utilization of the proceeds stood ratified and became authorized and valid pursuant to the Special Resolution dated September 29, 2017…*
> *12. Once the utilization of the proceeds have been ratified by the shareholders of the Company, the acts and deeds done by the Company becomes valid and authorized and therefore there was no variation of the utilization of the proceeds. The show cause notice alleging variation in the utilization of the proceeds is, thus, erroneous.*
> *13. For the same reason, since the utilization of the proceeds have been ratified, there was no variance in the utilization of the proceeds and consequently there was no violation of Clause 43 of the Listing Agreement…"*
>
> *(Emphasis Supplied)*

78. *Further, in the matter of Alps Motor Finance Ltd. v. SEBI , which was subsequently affirmed by the Supreme Court of India in its order dated February 05, 2024, the Hon'ble SAT had emphasized that:*

> *"7. In our view, there is an inordinate delay in the issuance of the show cause notice. The preferential issue was made in August 2013 and the show cause notice was issued on January 5, 2023…, therefore, there is no justification for issuance of show cause notice at this belated stage.*
> *…*
> *11. Even otherwise we find that admittedly there was a deviation in the object of the issue and the money was utilised for some other purposes by the company. The matter was placed before the shareholders in the extra ordinary general meeting of the company and the object of the issue was ratified by the shareholders on September 29, 2017. Thus, prior to the issuance of the show cause notice, the alleged deviation by the company was ratified and, therefore, in our opinion, there was no violation of any provisions of the LODR Regulations or of the listing agreement on the date when the show cause notice was issued.*
> *12. In Terrascope Ventures Limited vs. SEBI Appeal No. 116 of 2021 decided on June 2, 2022, this Tribunal held :-*
> > *"10. In National Institute of Technology and Another vs Pannalal Choudhury and Another (2015) 11 SCC 669, the Supreme Court has explained the expression "ratification" as under :-*
> > *"29. The expression "ratification" means "the making valid of an act already done". This principle is derived from the Latin maxim "ratihabitio mandato aequiparatur" meaning thereby "a subsequent ratification of an act is equivalent to a prior authority to perform such act". It is for this reason, the ratification assumes an invalid act which is retrospectively validated.*
> > *30. The expression "ratification" was succinctly defined by the English Court in one old case, Hartman v. Hornsby as under : "Ratification" is the approval by act, word, or conduct, of that which was attempted (of accomplishment), but which was improperly or unauthorisedly performed in the first instance."*
>
> *13. In view of the aforesaid decision, it is clear that the ratification made by the shareholders of the company validates an act already done and even though the company initially utilised the proceeds of the preferential issue for a different purpose in variance of the objects specified, nonetheless, the variance in the utilization of the proceeds should ratified and became authorized pursuant to the special resolution passed by the shareholders on September 29, 2017.*
> *14. In view of the aforesaid, we are of the view that no penalty could be imposed for the alleged deviation….*
> *15. In view of the aforesaid, the impugned order in so far as it relates to the appellants cannot be sustained and is quashed…"*
>
> *(Emphasis Supplied)*

79. *Therefore, post-facto ratification by the shareholders of the Noticee before the issuance of the instant SCN in the present matter makes the entire use of IPO proceeds valid.*
80. *In light of the above, it is submitted that the Noticee has neither made any false or misleading disclosures in its Prospectus nor diverted IPO proceeds.*

Allegation 3: Disclosure violation

81. *SEBI observed that the Noticee failed to adequately disclose the details of the acquisition of shares in a private company, M/s Sunview Nirman Private Limited to make its subsidiary.*
82. *In this regard, SEBI observed the disclosure made by the Noticee on March 15, 2022 and March 17, 2022, which declared that its Board of directors had approved the investment of unutilised funds, did not contain details of the investment.*

G. INADVERTENT OMISSION, NOT A CASE OF NON-DISCLOSURE.

83. *It is submitted that on March 15, 2022, the Noticee disclosed to BSE under Regulation 30 of the LODR Regulations that a Board Meeting would be held to discuss and consider investments, granting loans, providing securities and guarantees, and other related matters. However, the same Board Meeting was cancelled vide disclosure dated March 17, 2022. Therefore, the disclosure dated March 15, 2022 is not in question.*
84. *Additionally, the Noticee made a disclosure to BSE on March 17, 2022 under Regulation 30 of the LODR Regulations, inter alia informing that its Board of directors had approved investment of unutilised funds of the Noticee.*
85. *Based on the approved resolution, the Noticee invested its unutilized funds in purchasing shares of Sunview on March 17, 2022, with the intention of maximizing shareholder value. However, SEBI has alleged the specific name of the investee company, M/s Sunview Nirman Private Limited, was not disclosed. It is submitted that there is no omission on part of the Noticee and the disclosure was made in accordance with the law.*
86. *Without prejudice to the above, even if SEBI were to consider it as not in accordance with SEBI Circular dated September 09, 2015, the same at best was merely an unintentional oversight and not shows any deliberate attempt to withhold material information. While the name of the investee company was not disclosed, the fact that an investment was being made was adequately communicated, and this disclosure enabled investors and stakeholders to understand the Board's actions regarding the utilization of funds.*
87. *Further, Regulation 30 of the LODR Regulations emphasizes the need for companies to disclose material events promptly and fairly to ensure transparency. The Noticee fulfilled this requirement by informing the BSE about its decision to invest the unutilised funds. While the specific name of Sunview was omitted, the material aspect of the decision that an investment was made was duly disclosed.*
88. *Without prejudice to the above, even if it was found that the Noticee is in non-compliance of the provisions of the SEBI Circular dated September 09, 2015 as laid out in the SCN, no penalty can be imposed. It is abundantly clear that in absence of any investor complaint in this regard, that the actions of the Noticee have not adversely affected any rights or obligations of a third party.*
89. *Further, without prejudice to the above, SEBI in the past in similar circumstances, imposed minimum penalties even when there were multiple violations alleged against various noticees: '…..*

…

H. PROPOSED CORRECTIVE ACTION

90. *Without prejudice to the foregoing submissions, in furtherance to the previous disclosures dated March 17, 2022, June 09, 2023, and July 11, 2023 and to clarify / detail investment of the Noticee in Sunview on March 17, 2022, in the interest of investors, the Noticee can undertake to submit the disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015 to comply with the SEBI Circular bearing reference no. CIR/CFD/CMD/4/2015 dated September 09, 2015. However, it is pertinent to note that all shares held by the Noticee in Sunview were already sold on July 24, 2024. The proceeds from this sale, amounting to INR 4.61 crores, including the invested amount and a profit of INR 0.61 Lakhs were brought back into the company.*

91. *In light of the above submissions, the Noticee respectfully submits that the omission of Sunview's name from the initial disclosure was an unintentional and honest oversight that did not result in any harm to stakeholders.*

IV. ADDITIONAL SUBMISSIONS

92. *The Noticee's submissions are in the alternate and without prejudice to each other. It is respectfully submitted that, on consideration of these submissions alone, the Noticee is liable to be discharged from the instant proceedings.*

I. VIOLATION OF PRINCIPLES OF NATURAL JUSTICE QUA INSPECTION OF DOCUMENTS

93. *The Noticee requested SEBI to facilitate the inspection of and furnish copies of documents integral to the ongoing matter. This request was made through an Inspection Letter dated January 06, 2025. While SEBI granted the inspection opportunity on January 10, 2025, it failed to provide the majority of the requested documents. The copy of Inspection Letter dated January 06, 2025 and minutes of the proceedings of the inspection of documents on January 10, 2025 are attached herewith as Annexure S Colly.*
94. *It is submitted that it was crucial for Noticee to have access to the documents relied upon by SEBI in the SCN to defend itself against the allegations levelled in the SCN.*
95. *During the inspection conducted on January 10, 2025, SEBI only furnished the Examination Report with Flag 1, Flag 2 and Flag 3. No other documents as sought in the Inspection Letter dated January 06, 2025 have been provided by SEBI and without any valid reason.*
96. *Both Hon'ble Supreme Court of India and Hon'ble SAT have unequivocally held that SEBI bears the responsibility of disclosing all pertinent material within its possession and is precluded from engaging in selective disclosure, as it compromises the right of the opposing party to a fair trial as principle which was firmly established in Dhakeshwari Cotton Mills Ltd. v CIT wherein the Supreme Court had held that inspection and taking notes must be allowed in whatever mode as fundamentally, nothing can be used against the person which has not been bought to his notice.*
97. *Noticee sought inspection of all relevant documents, but SEBI only provided a limited set of documents as stated above. SEBI ought to have granted inspection of all relevant documents and its failure to do so has clearly impeded the Noticee's ability to submit a comprehensive reply to the SCN.*
99. *It is submitted that SEBI without any application of mind rejected the request of seeking file noting(s) / opinion formed by the competent authority with respect to present proceedings, which is completely contrary to the principles of natural justice.*
100. *It is submitted that without providing cogent evidence, allegation of misrepresentation cannot be made against it. Without the relevant documents, the Noticee does not have complete clarity of the basis of the allegations. Thus, without access to all the documents that SEBI has in its possession, the Noticee is ill-equipped to provide a proper and a fool proof response. In this regard, reliance is placed on the recent judgment dated February 18, 2022 of the Hon'ble Supreme Court of India in the matter of T. Takano v. SEBI has observed the following:*

> *"33…Once the subordinate legislation mandates that the investigating authority's report is an essential ingredient for the Board to arrive at the satisfaction, it requires due disclosure.*
> *…*
> *50. The following principles emerge from the above discussion:*
> *50.1. A quasi-judicial authority has a duty to disclose the material that has been relied upon at the stage of adjudication; and*
> *50.2. An ipse dixit of the authority that it has not relied on certain material would not exempt it of its liability to disclose such material if it is relevant to and has a nexus to the action that is taken by the authority. In all reasonable probability, such material would have influenced the decision reached by the authority."*
>
> *(Emphasis Supplied)*

101. *In addition to the above, the Hon'ble Supreme Court in the judgement of Reliance Industries Limited v. Securities And Exchange Board Of India & Ors has clearly laid down that it is the duty of SEBI to disclose the documents which are part of transparency and fair trial by observing the following:*

> *"46. At this juncture, the appellant has pressed into service the ratio laid down by this Court in Takano case (supra), to seek document disclosure. On the other hand, the respondents have tried to distinguish the present case by stating that the present case is not one of disclosure which is being sought during investigation by SEBI under the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.*
> *47. Although we agree with the respondents that the Takano Case (supra) was rendered under the aforesaid Regulations, however, we are of the opinion that the reasoning of this Court alludes to a general obligation of disclosure on the part of SEBI. This Court has held in the Takano Case (supra) that three fundamental purposes of disclosure of information are (i) reliability, i.e., the Court will be able to perform its function accurately only if both parties have access to information and possess opportunity to address arguments and counter arguments; (ii) fair trial, i.e., this will enable the parties to effectively participate in the proceedings; and (iii) transparency and accountability, i.e., the investigative agencies are held accountable through transparency and not opaqueness.*
> *48. Keeping a party abreast of the information that influenced the decision promotes transparency of the judicial process which was discussed in the aforesaid case in the following manner…*
> *…*
> *51. The approach of SEBI, in failing to disclose the documents also raises concerns of transparency and fair trial. Opaqueness only propagates prejudice and partiality. Opaqueness is antithetical to transparency. It is of utmost importance that in a country grounded in the Rule of Law, institutions ought to adopt procedures that further the democratic principles of transparency and accountability. Principles of fairness and transparency of adjudicatory proceedings are the cornerstone of the principles of open justice."*
>
> *(Emphasis Supplied)*

102. *The Noticee also relies on the following judgments:*

a) *The Hon'ble Bombay High Court in the matter of Ashok Dayabhai Shah And Ors v. SEBI And Ors (Writ Petition No. 530 Of 2023 order dated December 01, 2023) (para 25);*

b) *The Hon'ble SAT in the matter of Mukesh D. Ambani v. SEBI (Appeal No. 88 of 2021 order dated December 04, 2023) (paragraph 116); and*

c) *The Hon'ble SAT in National Stock Exchange of India Ltd. v. SEBI (SAT Appeal No. 445 of 2022 dated December 14, 2023) set aside the order of SEBI in one of the appeals on the ground that inspection of documents was denied.*

103. *In view of the above reasons itself, the SCN deserves to be withdrawn since it prejudices the Noticee to reply to the SCN without knowing contents of the necessary documents relied upon by the Ld. Adjudicating Officer for imposition of any penalty on the Noticee. A perusal of such documents would have enabled the Noticee to point out to the Ld. Adjudicating Officer how the Noticee have been roped in on whims and fancies without any reasonable basis.*

J. PAST SEBI ORDERS HAVE RESULTED IN EXONERATION OF THE NOTICEES OR AT THE VERY BEST, MINISCULE PENALTY

104. *Without prejudice to the above, SEBI has on several occasions has taken a lenient view while imposing penalties against the noticees. It has been held consistently that SEBI as a regulator must adopt a consistent and predictable approach. Reliance is placed on the decision of the Hon'ble Supreme Court of India in the matter of Securities and Exchange Board of India v. Sunil Krishna Khaitan which held as under:*

"59. It is important for the regulator to be consistent and predictable. Further regulations must be clear as ambiguous regulations cause confusion and uncertainty. Regularity and predictability, along with certainty, are hallmarks of good regulation and governance. These principles underpin the 'rule of law', check arbitrariness and are read as the intent of the legislation, which the Courts, if need be, will enforce as a principle of interpretation. The Board is entrusted to preform legislative, executive, investigative and adjudicatory functions. A regulator when it executes statutory functions interprets the enactment and gives meaning and, in that sense, lays down what is believes is the rule. As a legislator who constructs and states at the first instance what is the rule, the Board tacitly promises and prophecies the interpretation that appeals to them. Any good regulatory system must promote and adhere to principle of certainty and consistency, providing assurance to the individual as to the consequence of transactions forming part of his daily affairs. Lord Diplock has aptly said "unless men know what the rule of conduct is they cannot regulate their actions to confirm to it." Otherwise the regulator "fails in its primary function as a rule" maker. This does not mean that the regulator/authorities cannot deviate from the past practice, albeit any such deviation or change must be predicated on greater public interest or harm. This is the mandate of Article 14 of the Constitution of India which requires fairness in action by the State, and non-arbitrariness in essence and substance. Therefore to examine the question of inconsistency, the analysis is to ascertain the need and functional value of the change, as consistency is a matter of operational effectiveness. Sometimes changes are desirable and necessary. Referring to these aspects, in some cases, the Indian courts have applied the doctrine of substantive legitimate expectation observing that the change in policy should not be irrational or perverse or one which no reasonable person could have made. In other words, principles of Wednesbury's reasonableness would apply. Such a principle stems but is somewhat different from the foundational idea of procedural legitimate expectation, which applies where a particular mode is prescribed for doing an act and there is no impediment in adopting the procedure, the deviation to act in similar manner without any reasonable principle, can be labelled as arbitrary."

(Emphasis Supplied)

105. *Further, the Hon'ble Supreme Court has held in Securities and Exchange Board of India v. R.T. Agro (P.) Ltd. that SEBI was not justified in penalizing a Company by taking a 'hyper-technical view' of the law. The matter related to certain related party transactions.*
106. *Accordingly, Ld. Adjudicating Officer is urged to exonerate the Noticee, as has been previously done by other WTMs or AOs considering the facts and circumstances of a case in a holistic manner rather than from a hyper-technical stand taken by SEBI inspection team.*

K. ALLEGED VIOLATIONS ARE IN NO WAY INTENTIONAL AND HAS NOT CAUSED ANY HARM TO INVESTORS, MARKET AT LARGE OR ANY EXCHANGE

107. *Without prejudice to the above, even if it was found that the Noticee is in violation of the provisions of the LODR Regulations, ICDR Regulations and SEBI Circular dated September 09, 2015 as laid out in the SCN, no action ought to be taken against the Noticee. It is abundantly clear that in absence of any investor complaint in this regard, that the actions of the Noticee have not adversely affected any rights or obligations of a third party. Screenshot of the SCORES Portal of the Noticee is annexed hereto as Annexure T.*
108. *It is nowhere alleged in the SCN that by the alleged violation, the Noticee has interfered with the normal operation of the forces of demand and supply in the market which was detrimental to market integrity. Therefore, the breach, if any, can best be described as technical, venial, and procedural in nature, and thus, no action is warranted in the present case.*
109. *It is also relevant to mention herein that, without prejudice the submissions that there has been no contravention on part of the Noticee as alleged or otherwise, the violations alleged in the SCN are neither repetitive nor has the Noticee made any gain or avoided any loss in course of the same.*
110. *It is a well settled law that power to make recommendations includes power to make no recommendations in the given facts and circumstances. It is not that every breach or error is culpable even though it is possible to construe the same as a contravention. In a case, where a Noticee demonstrates its bona fide and an authority is not able to demonstrate a Noticee's mala fide, at the very least, discretion needs to be applied to provide benefit of doubt to such a Noticee. The case of Noticee is squarely covered in this undisputed, settled principle.*
111. *The Noticee also submits that any imposition of penalty whatsoever is totally unjustified in the given facts and that the case of the Noticee requires serious consideration. The Noticee submits that any imposition of penalty would be completely contrary to canons of securities laws and jurisprudence. Further, any imposition of penalty would irreparably prejudice the Noticee's reputation in the industry which has been built on the basis of integrity and excellence in rendering services to its clients. The Noticee is neither guilty of misconduct, which is contumacious or dishonest, nor has the Noticee acted in conscious disregard of law or in defiance of law. It is further submitted that the violations alleged in the SCN are not repetitive.*
112. *Section 15J Factors: Section 15J of the SEBI Act specifies the factors that SEBI must consider when determining the amount of penalty to be levied, which include the amount of gain or unfair advantage resulting from the default, the loss caused to an investor or group of investors, and the repetitive nature of the default. SEBI has not alleged that the said non-compliance caused any manipulation or otherwise. Even if it is assumed that there is a violation, the same could only mean to be merely a technical violation for which no penalty is warranted. That failure to perform a statutory obligation was a matter of discretion upon the Authority while imposing penalty and that penalty cannot be imposed merely because it was lawful to do so.*
    …

113. *It is submitted that the judgment of the Hon'ble Supreme Court in the case of SEBI v. Shriram Mutual Fund , is blindly applied by various Adjudicating Officers for imposition of monetary penalty by nitpicking few lines from the judgment stating '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'.*
114. *However, if correctly interpreted, the said judgment only holds that mens rea is not an essential requirement of all contraventions of statutory obligations, and not that each contravention, no matter how trivial or irrelevant or innocent, has to be penalized. In fact, the subsequent judgments of the Hon'ble Supreme Court have clearly held that every infraction does not merit a penalty as apparently assumed by SEBI including in inspection cases. In fact, the Hon'ble Supreme Court in its subsequent judgment in Bharjatiya Steel Industries v Commissioner, Sales Tax, Uttar Pradesh , expressly referred to the judgment in the matter of SEBI vs. Shriram Mutual Fund (supra) and held that the concerned authority always has to exercise his discretion as to whether to levy a penalty or not, and that for the exercise of such discretion, existence of mens rea becomes a relevant factor. Thus, every contravention of statutory provisions, irrespective of how trivial or venial the breach is, does not merit levy of a penalty.*
115. *The Hon'ble Supreme Court in SEBI v. Bhavesh Pabari, has held the Adjudicating Officers of SEBI to have sufficient discretion to impose penalties or exonerate entities by applying factors beyond Section 15J (a)(b)(c).*
116. *Reliance is also placed upon the decision in the matter of P.G. Electroplast and others v. SEBI, wherein the Hon'ble SAT while setting aside the monetary penalty imposed by the AO held:*

    "18…Even if a minimum penalty is prescribed, the authority after considering the circumstances of the case and other factors enumerated in Section 15J would be justified in refusing to impose penalty when there is a technical or venial breach of the provisions of the act."

117. *Further, reliance is also placed upon the observations made out in the Order passed by the Hon'ble SAT in the case of Chona Financial Services Pvt. Ltd. v. SEBI and also in the matter of Religare Securities Ltd. v. SEBI . From the aforesaid orders, it can be observed that hon'ble SAT have maintained a consistent stand of not levying penalties for technical / venial / procedural violations that have been rectified. Thus, time and again, it has been observed that every minor discrepancy / irregularity found is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/deficiencies to the intermediary at the time of inspection and making it compliant.*
118. *It is further submitted that the Noticee has an unblemished record. Therefore, any recommendation no matter how small, shall have an adverse impact on the Noticee. Consequently, any penalty, regardless of its size, would negatively impact the Noticee. It is also pertinent to note the further observations of the Hon'ble SAT in Piramal Enterprises (supra) which has observed as under:*

    "...The imposition of penalty, even though meagre will leave an indelible mark and leave a blot on their spotless image."
    (Emphasis Supplied)

119. *Therefore, Ld. Adjudicating Officer ought not to impose any penalty whatsoever.*

…'

Submissions dated May 05, 2025

'…

A. There was full utilization of IPO Proceeds by the Noticee for the stated object in its Prospectus and hence no deviation exists

5. It is submitted that Regulation 32 of the LODR Regulations mandates listed entities to report any deviation in the utilization of IPO proceeds from the stated objects in the 1 offer document on a quarterly basis 'till such time the issue proceeds have been fully utilised'.

6. In the instant case, the IPO proceeds allocated towards 'Payment of security deposit for renting of office space' for INR 2.55 crores were fully utilized in leasing an office at Malad from B-Right Real Estate Limited. Thus, the condition under Regulation 32(2) of the LODR Regulations was duly satisfied. Once the allocated funds were fully utilised, the requirement to continue filing statements under Regulation 32 ceased. It is submitted that a deviation arises only when the purpose is not achieved or the funds are diverted. Neither is the case here. To interpret Regulation 32 otherwise would be completely perverse as it is well settled that something which a statute does not provide cannot be expressly read into1 .

7. Without prejudice to the above, it is submitted that the Company had already disclosed in its Prospectus dated July 19, 2021, that the deployment of funds may change from time to time, keeping in view the nature of its business. This was disclosed as a risk factor on page 30 of the Prospectus, which was accepted by SEBI, and the relevant excerpt is reproduced below:

> *"Our financing requirements and the deployment of the net proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently our financing requirements and the expected deployment of the net proceeds of the Issue may also change."*

B. Termination of Lease with B-Right was a commercial decision

8. It is submitted that the decision to vacate the Malad office in December 2021 was based on strategic considerations including operational inefficiency, post-pandemic changes, and staff convenience. Business decisions that do not harm investor interest or the securities market are not subject to SEBI scrutiny, as held in D-Link (India) Ltd. v. SEBI2 .

C. Documentary evidence of investment of IPO proceeds in IDFC Bank Fixed Deposit post refund in December 2021

9. It is submitted that the observation made against the Noticee in paragraph 5.3.5 of the SCN is baseless, as these documents were never requested from the Noticee at any point in time. The Noticee submits that the lease deed dated June 08, 2021, was terminated on December 07, 2021, and the entire amount of INR 3 crore was refunded 1 Shiv Shakti Coop. Housing Society v. Swaraj Developers & Ors (AIR 2003 SC 2434 2); and M/s. Hiralal Ratanlal vs. STO2 (AIR 1973 SC 1034). 2 2008 SCC OnLine SAT 123. 2 to the Noticee on December 15 and 16, 2021. The corresponding bank statement supporting this claim was attached as Annexure D to our Reply.

10. Further, the refunded amount of INR 3 crore was deposited with IDFC Bank on December 17, 2021, and was subsequently redeemed on its maturity on March 09, 2023. The supporting documents i.e., the fixed deposit advice and the bank statement reflecting redemption of INR 3,01,07,448, were attached as Annexure E and Annexure F, respectively, to our Reply.

11. Furthermore, all the documentary evidence including the bank statements have been adequately attached as annexures in our Reply dated April 17, 2025 in relation to the entire flow of funds. D. Investment made in Sunview Nirman Private Limited was in accordance with the prospectus.

12. It is completely perverse to allege that the investment made by the Noticee in Sunview Nirman Private Limited ("Sunview") was not in accordance with the Prospectus. It may be noted that the prohibition under the Prospectus was on making investment in real estate. The investment made by the Noticee in Sunview ought not and cannot be considered as an investment in real estate. It is respectfully submitted that the investment in the Crescent Bay property was made solely by Sunview on 21 March 2022, before the Noticee's loan was converted into equity on 31 March 2022. The Noticee had no role in, and was not a party to, the sale transaction.

13. SEBI's allegation overlooks the fact that Sunview is a separate legal entity, and its investment decisions including to the buy the Crescent Bay property are beyond the Noticee's control. The Hon'ble SAT in the matter of Mohandas Shenoy v. SEBI3, observed the following:

> *"25…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." (Emphasis Supplied)*

14. The above judgment squarely applies to the present case, where SEBI's inference is based solely on a subsequent decision taken by the Noticee. As held by the Hon'ble 3 2021 SCC OnLine SAT 263. 3 SAT, such post-facto actions cannot render the disclosures in the Prospectus misleading or inadequate. In the present case, the entire funds were utilised strictly for the objects stated in the Prospectus. Therefore, the Noticee submits that, in view of the above judgment, there was neither any misstatement nor any violation of the terms and conditions of the Prospectus. Furthermore, there is no law that mandates a company to remain in possession of a leased property for a minimum period. It is entirely within the company's prerogative to continue with or terminate a lease deed it has entered into.

E. Ratification by shareholders by approving the sale of investment held in Sunview Nirman Private Limited

15. It is submitted that the investment made by the Noticee in Sunview Nirman Private Limited was subsequently ratified by the shareholders in the Annual General Meeting held on July 11, 2023, as disclosed to BSE. The Noticee not only passed a Board Resolution on June 9, 2023, but also placed the matter before its shareholders, who approved the sale of investment in Sunview and the utilization of proceeds for purchase of new office premises.

16. It is a well settled law that shareholder ratification has retrospective effect and cures any alleged irregularity ab initio. Reliance is placed on the following precedents: (a) Terrascope Ventures Ltd. v. SEBI4 – SAT held that post-facto ratification by shareholders retrospectively validates variance in utilisation of funds. (b) Alps Motor Finance Ltd. v. SEBI5 – Also affirmed by the Hon'ble Supreme Court, holding that once shareholders ratify the act, it becomes valid and authorized.

17. Noticee has ultimately invested in an Office Space in joint ownership: Without prejudice to the above, pursuant to the shareholder approval, the Noticee invested INR 6 crore in acquiring joint ownership of office premises at Naman Midtown, Mumbai, which is now the registered office of the Company. The same was also disclosed on the BSE dated January 25, 2024. It is pertinent to note that while the funds raised through the IPO for the purpose of acquiring office space amounted to INR 2.55 crore, the Noticee has, in fact, invested INR 6 crore towards the same object which is more than double the amount originally raised. Accordingly, the investors' interests were not only protected but enhanced, as the value of their investment was effectively doubled. This is consistent with the stated object of securing office space for the Company's operations. Merely because the route involved intermediate steps (investment in Sunview, subsequent divestment, reinvestment in property) does not 4 Order dated June 02, 2022 in SAT Appeal No. 116 of 2021. 5 Order dated July 20, 2023 in SAT Appeal No. 620 of 2023. 4 change the fact that the end use aligned with the original object: acquiring business premises.

18. It cannot be SEBI's case that the Noticee should remain a lessee forever: The original object was to secure office space for operations, not to remain on lease perpetually. The Noticee initially leased an office (Malad), later exited due to operational challenges, and eventually invested in a more permanent and efficient solution by acquiring its own premises at Naman Midtown. The route was commercially prudent and in the best interest of shareholders. It is humbly submitted by the Noticee that SEBI cannot micro-manage the commercial modality chosen to achieve a disclosed object.

F. Disclosure violation under Regulation 30 of LODR about acquiring shares in Sunview was an inadvertent omission

19. The disclosure dated March 17, 2022 about investment of unutilised funds was made; only the name of the acquired entity 'Sunview Nirman Private Limited' was inadvertently omitted. It is submitted that there was no intent to conceal; material information regarding the nature of the investment was conveyed.

20. Without prejudice to the above, the Noticee submits that in furtherance of earlier disclosures dated March 17, 2022, June 09, 2023, and July 11, 2023, and in the interest of transparency, it is willing to submit an additional disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015, to align with SEBI Circular dated September 09, 2015. It is, however, pertinent that the investment in Sunview was fully exited on July 24, 2024.

21. Further, it is pertinent to mention that during the settlement process (before the issuance of the present SCN), the Noticee had given the undertaking that it can make a disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015. The following transpired during the settlement process with SEBI:

22.It is submitted by the Noticee that it can undertake to make a disclosure under Regulation 30 of the SEBI (LODR) Regulations regarding the acquisition of shares in Sunview. Although it would be futile in as much as the Noticee has already sold its shares in Sunview.

CONCLUSION

23. In light of the circumstances outlined above, the Noticee submits that the allegations sought to be levied against Noticee are without any basis in law or in facts, and the Noticee is liable to be fully discharged. 24. Therefore, it is respectfully prayed that the adjudication proceedings initiated against the Noticee be dropped in their entirety and no penalty be imposed under Section 15HB of the SEBI Act, 1992.
…'

D. CONSIDERATION OF ISSUES AND FINDINGS

12. The issues that arise for consideration in the instant matter are:

Issue No. I: **Whether the Noticee had violated the provisions of LODR Regulations, 2015, ICDR Regulations, 2018, and SEBI Circular, as alleged?**

Issue No. II: **If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HB of the SEBI Act, 1992?**

Issue No. III: **If yes, what should be the monetary penalty that can be imposed upon the Noticee?**

13. Before going into the merits of the case, it would be pertinent to firstly deal with the preliminary contention raised by the Noticee as part of its replies to the SCN.

The Noticee in its replies to the SCN had inter alia contended that *'…violation of principles of natural justice qua inspection of documents.. While SEBI granted the inspection opportunity on January 10, 2025, it failed to provide the majority of the requested documents... Without the relevant documents, the Noticee does not have complete clarity of the basis of the allegations…'.*

In this regard, I note that the relevant documents as relied upon in the instant proceedings were provided to the Noticee as part of annexures to the SCN and also during the inspection of documents availed by the Noticee on January 10, 2025. Pursuant to the inspection of documents, Noticee was provided with the Examination Report (ER) in the matter along with the annexures to the ER. Subsequently, prior to hearing in the matter, vide

emails dated April 30, 2025, Noticee was provided with documents sought vide its letter dated April 17, 2025. In this regard, I note that no qualifications were made by the Noticee thereafter. Accordingly, in my opinion, the Noticee has been provided with all the relevant documents as relied upon in the instant matter, and hence the contention of the Noticee in this regard cannot be accepted.

14. I now proceed to deal with the matter on merits as regards alleged violations in respect of the Noticee, as per the SCN.

Issue No. I: Whether the Noticee had violated the provisions of LODR Regulations, 2015 and ICDR Regulations, 2018, as alleged?

15. In this regard, following was inter alia observed and alleged in respect of the Noticee:

15.1. Failure to Submit Statement of deviation or variation: The entity failed to submit to the stock exchanges the statement of deviations despite not using the issue proceeds as per the purpose for which these proceeds were raised. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 32 of LODR Regulations, 2015.

15.2. False and misleading disclosure in the Prospectus of its IPO: The entity made a false disclosure in the Prospectus that the Company will not divert the IPO proceeds in Real estate products but the company ultimately diverted the IPO proceeds in buying a flat via investment made in its subsidiary. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 245 read with Schedule VI of ICDR Regulations, 2018.

15.3. Disclosure violation: The entity failed to adequately disclose the details of the acquisition of shares in a private company M/s Sunview Nirman Private Limited to make it its subsidiary. In view thereof, it was inter alia alleged that Noticee had violated provisions of Regulation 30 of LODR Regulations, 2015 read with Annexure I of SEBI circular dated September 09, 2015

15.4. Here it would be relevant to refer to the text of the provisions alleged to have been violated, which inter alia read as under:

Regulation 30 of LODR Regulations, 2015:

'…

Disclosure of events or information.

30. (1) Every listed entity shall make disclosures of any event or information which, in the opinion of the board of directors of the listed company, is material.

(2)Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosures of such events.

…'

Regulation 32 of LODR Regulations, 2015:

'…

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.

…

(8) For the purpose of this regulation, any reference to "quarterly/quarter" in case of listed entity which have listed their specified securities on SME Exchange shall respectively be read as "half yearly/half year".

…'

SEBI Circular dated September 09, 2015 (Annexure I):

'…

A. Details which a listed entity needs to disclose for the events that are deemed to be material as specified in Para A of Part A of Schedule III of Listing Regulations

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the listed entity or any other restructuring:

[Explanation: For the purpose of the above disclosures the term 'acquisition' shall have the same meaning as defined in explanation of sub-para (1) of Para (A) of Part (A) of Schedule III of Listing Regulations].

…'

ICDR Regulations, 2018:

'…

Disclosures in the draft offer document and offer document

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

…

SCHEDULE VI - Disclosures in Offer Document, Abridged Prospectus and Abridged Letter of Offer

…

PART A - Disclosures in offer document / letter of offer

…

All disclosures specified under this part shall be made in the draft offer document or the draft letter of Offer and the Offer document or the letter of offer, as applicable.

Instructions:

…

Applicability

…

(k) The following clause on 'Issuer's Absolute Responsibility' shall be incorporated in a box format: "The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue which is material in the context of the issue, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect"

…'

Note: for detailed/ complete text of the provisions, relevant Acts, Circulars etc., may please be referred.

15.5. In this regard, following is noted from material available on record:

15.5.1. SEBI vide its email dated June 26, 2023 had advised the MB to provide the complete details of the fund flow of the IPO from the date of receipt of IPO proceeds.

15.5.2. The company M/s Gretex Corporate Services Ltd. in its reply had inter alia submitted the following with respect to utilization of issue proceeds for the object of Repayment of Security Deposit for renting of Office Space.

- *We would like to inform you that we had taken as Rent Free Office Premises from M/s. B-Right Real Estate Limited by paying the interest free deposit Amount to the tune of Rs. 3.00 Crore (Rs. 45 Lacs paid Before IPO and Rs. 2.55 Crores paid from the IPO Proceeds).*
- *The said agreement is being terminated due to operational difficulties in the said premises and thereafter we have got the money back in the Company from B-Right Real Estate.*
- *Thereafter, the said amount of Rs. 3 Crs was parked in a Fixed Deposit with IDFC Bank for 2.5 months at 3,25% of interest.*
- *In or about March 2023, this FD was redeemed on March 09. 2023 and about Rs 3.1 Crs was received. A sum of Rs. 4 Crs was then transferred to M/s Sunview Nirman Private Limited in exchange of the*

shares certificate issued by Sunview Nirman Private Limited. Post the share allotment the company M/s Sunview Nirman Private Limited became the subsidiary company of Gretex Corporate Services Ltd.

- *Further, with the contribution of Rs. 4 Crs from Gretex Corporate Services Ltd. and Rs. 2 Crs from Gretex Share Broking Private Ltd. (both being under the same management and control) a Flat No. 4305 for around Rs. 6 Crs was bought in the name of M/s. Sunview Nirman Private Limited in Parel at Crescent Bay, Tower 5 – 4305 with 2 car parking spaces and the said property is being used for commercial use as well by the Directors of the Company.*
- *Thus, the board of Gretex Corporate Services ltd. denies any variation in terms of the Object of the Issue referred in the Prospectus in relation to the utilization of proceeds received from the IPO.*

15.5.3. SEBI observed that the issuer Gretex Corporate Services Ltd. in the Prospectus (page 67) inter alia had mentioned that leasing such property would help them secure hassle free possession of the required properties for the coming years, ensure lower operating costs and hence improve overall profitability.

15.5.4. On perusal of the MoU for leasing of property, SEBI observed that the same was done for a period of 10 years, further it was observed that the issuer had not elaborated on the operational difficulty faced to terminate the agreement prematurely.

15.5.5. Further, the issuer company had not provided any supporting document in support of its claim that after they received the IPO proceeds back in the company in December 2021; they invested in the Fixed Deposit of IDFC Bank for further 2.5 months. Moreover, the issuer company had also not provided any compelling reasons of extending the money received back from the IPO proceeds as loan to a corporate in exchange of its equity.

15.5.6. On perusal of the disclosures done by the issuer on the BSE Exchange Platform it was observed by SEBI that a disclosure dated December 30, 2021 was made to the exchange under Regulation 30, LODR Regulations 2015 mentioning that the company had discontinued its operations from the Branch Office it leased via the IPO Proceeds (details mentioned in Prospectus)

and that the company was in search of new locations to expand its operations

15.5.7. SEBI observed that w.r.t to interim use of IPO proceeds the issuer had inter alia declared in the prospectus (page 69) that *Pending utilization of the Issue proceeds of the Issue for the purposes described above, our Company will deposit the Net Proceeds with scheduled commercial banks included in schedule II of the RBI Act. Our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any listed Company or for any investment in the equity markets or investing in any real estate product or real estate linked products*.

15.5.8. However, as stated by the issuer company in its reply that after discontinuation of operations in December 2021, the IPO proceeds were transferred to M/s Sunview Nirman Private Limited in exchange of the shares certificate in March 2022 and subsequently the same was invested in the real estate product for buying a flat in the name of its new subsidiary Sunview Nirman Pvt Ltd.

15.5.9. Thus, the Issuer Company allegedly deviated from its stated objects as mentioned in its Prospectus without giving the exit to investors and filing the statement of deviation which is in non-compliance with Regulation 32 of LODR Regulations, 2015 as the purpose for which the issue proceeds were raised i.e. renting of Office Space was not achieved.

15.5.10. Moreover, the Issuer Company allegedly made a false disclosure in the Prospectus that the Company will not divert the IPO proceeds in Real estate products and the directors of the issuer company made a declaration in the prospectus that all information in the Prospectus will be true and correct and will not be misleading.

15.5.11. SEBI observed that the IPO proceeds were ultimately diverted into real estate for buying of Flat which the issuer claims that the property was used for commercial use by the Directors of the Company. However, SEBI observed that the property purchased was a residential flat and the company had not provided any supporting documents like NOC from residential society or clearances from municipal authorities etc. to use the property commercially.

15.5.12. SEBI observed that the company Sunview Nirman Pvt Ltd. in whose name the property was purchased was under the same management as the Issuer Company having common director Mr. Alok Harlalka. Thus, in absence of any supporting documents and the circumstantial probability, it was construed by SEBI that the said purchased property was being used for personal use of the promoters/director of the issuer company.

15.5.13. This investment in real estate was in direct contradiction to its disclosure made in the prospectus of its IPO as ultimately the issuer company diverted the IPO proceeds in Real Estate & Real Estate Linked Product and thus this was in violation of Regulation 245 r/w Schedule VI of ICDR Regulations, 2018.

15.5.14. W.r.t. the disclosure made by the Issuer company regarding the investment made in the Private Company from the unutilized IPO Proceeds it was observed by SEBI that the disclosure done by the Issuer Company on March 15, 2022 and March 17, 2022 declared that the board of Issuer Company had approved the Investment of unutilized funds of the IPO proceeds received by the Company**.**

15.5.15. However, the company provided no further details about the details of the investment like name of the target company, industry to which the entity belongs etc. which was allegedly in

non-compliance with Regulation 30 r/w SEBI Circular dated September 09, 2015.

15.6. In this regard, with respect to allegation pertaining to failure to submit statement of deviation or variation, Noticee as part of its replies to SCN has broadly contended that Regulation 32 of the LODR Regulations mandates listed entities to report any deviation in the utilization of IPO proceeds from the stated objects in the offer document on a quarterly basis 'till such time the issue proceeds have been fully utilized and that when the Noticee had fully utilized the allocated amount by paying INR 2.55 Crore to B-Right for the intended purpose, the condition under Regulation 32(2) requiring continuous disclosure until the amount is 'fully utilized' was satisfied. Therefore, there can be no question of deviation. SEBI's interpretation with respect to Regulation 32(2) is completely flawed. It is well settled that something which a statute does not provide cannot be expressly read into. In this regard, Noticee placed reliance on the judgment of the Hon'ble Supreme Court in Shiv Shakti Coop. Housing Society v. Swaraj Developers & Ors.. M/s. Hiralal Ratanlal vs. STO.

15.6.1. In this regard, I note that though the Noticee has urged to resort to literal interpretation of Regulation 32 of LODR Regulation and is claiming that proceeds were fully utilised and thus no statement of deviation was required, however, I note that the submissions of the Noticee are contradictory in nature in so far as at one hand Noticee is claiming that the allocated amount was fully utilised as per the object of the issue once they paid the INR 2.55 Crore to B-Right while on the other hand the Noticee is claiming that the proceeds received pursuant to the termination of lease with B-Right were interim funds and were subsequently invested in Fixed deposit, then was loaned to sunview, then the loan was coverted to equity etc. as this was permissible under the

prospectus. The relevant text of the submissions of the Noticee are as follows:

'…The Noticee invested the amount of INR 3 crores received as refund in fixed deposits with IDFC Bank (a Scheduled Commercial Bank), which was explicitly permissible and valid in terms of the Prospectus. The interim utilization of issue proceeds as stated in the Prospectus are reproduced below: "Interim Use of Proceeds Pending utilization of the Issue proceeds of the Issue for the purposes described above, our Company will deposit the Net Proceeds with scheduled commercial banks included in schedule II of the RBI Act."..'

15.6.2. From the above, I note that Noticee itself has submitted that the proceeds put into the fixed deposit were interim proceeds, hence I note that Noticee ought to have disclosed this under the statement of deviation under Regulation 32.

15.6.3. Further in this regard, I note that the submissions of the Noticee are in the nature of admission that the funds were not fully utilized in so far as the Noticee has submitted that *'…Noticee made a disclosure dated March 17, 2022 on the BSE, under Regulation 30 of the LODR Regulations whereby its Board of directors approved the investment of the unutilised funds of the Noticee..'.*

15.6.4. I am of the opinion that the contentions of the Noticee are contradictory in nature, in so far as on one hand, Noticee has submitted that the funds were fully utilized when the payments were made to B-Right w.r.t lease deed dated June 08, 2021, while on the other hand, the Noticee has referred to the funds as unutilized in its March 17, 2022 disclosure.

15.6.5. As regards full utilisation of the issue proceeds or achieving the purpose for which proceeds were raised, I note that both in the prospectus dated June 14, 2021 and in the lease deed dated

June 08, 2021, Noticee showed its intention to possess the said property for a longer duration i.e. for years, whereas I note that as per the submissions of the Noticee, the lease deed was terminated within six months and the proceeds were subsequently utilised in multiple ways without disclosing the same in the statement of deviation in terms of Regulation 32 of LODR Regulation. I note that the prospectus dated June 14, 2021 inter alia read as '…*We believe this would help us secure hassle free possession of the required properties for the coming years, ensure lower operating costs and hence improve overall profitability…'.* Further, the lease deed in this regard read as '…*the Licensor hereby demise unto the Licensee the said premises, to hold the said premises unto the Licensee..for a period of 10 years or for such period as may be decided by the parties mutually, at zero rent…'.* I note that the purpose for which these proceeds were raised, was long term i.e. for years, whereas the Noticee terminated the agreement within just four months citing reasons that *'…the continued use of the Malad office no longer served the intended purpose….'.* In my opinion, Noticee ought to have disclosed the same in the statement of deviation in terms of Regulation 32 of LODR Regulation until time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.

15.6.6. Further in this regard, as regards interpretation of Regulation 32 of LODR Regulation, in my opinion, adoption of strictly literal interpretation of Regulation 32 of LODR Regulation would defeat the purpose of disclosure requirements. I am of the view that if Noticee's interpretation were to be considered viz., once payment was made to B-Right, then the proceeds were fully utilized, then this may be akin to narrowing the application of the scope of Regulation 32 of LODR Regulation and giving leeway to misuse of proceeds of the IPO as in that case companies

would use this as a loophole to firstly put all the IPO proceeds in the stated objective and then withdraw the IPO proceeds and utilize it for other aspects other than was stated in the prospectus. This may frustrate the very purpose of mentioning the objects of raising the proceeds through IPO, as it is inter alia basis the information that where the proceeds will be utilized that the investors invest their money. Here it becomes pertinent to highlight the importance of disclosures in a disclosure based regime, in this regard reliance is placed on Hon'ble Securities Appellate Tribunal (Hon'ble SAT) Order in the matter of Coimbatore Flavors & Fragrances Ltd. vs SEBI(Appeal No. 209 of 2014 order dated August 11, 2014), wherein Hon'ble SAT inter alia observed and held that *"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same..'.*

In view thereof, the contention of the Noticee in this regard are devoid of merit and hence not acceptable.

15.6.7. As regards contention of the Noticee that termination of Lease with B-Right was a commercial decision and the decision to vacate the Malad office in December 2021 was based on strategic considerations including operational inefficiency, post-pandemic changes, and staff convenience and that SEBI cannot interfere with the business decisions taken by the Company so long as they do not prejudicially affect the securities market. The same was upheld by Hon'ble SAT in the case of D-Link (India) Limited v. SEBI - Order dated July 14, 2008 in SAT Appeal No. 120 of 2007.

In this regard, I note that though the Noticee has contended so, however, Noticee has not demonstrated the same with relevant details and documents such whether any complaints from the employees were received regarding operational difficulties and convenience etc., copy of any board resolution, shareholders' approval etc. to terminate the lease considering that the same was undertaken from IPO proceeds. In view thereof, I note that neither the Noticee has not sufficiently brought out the reasons to terminate the lease agreement within four months of possession nor the Noticee has submitted any approvals with respect to decision to terminate the lease agreement for the said office premises. In view thereof, the contention of the Noticee in this regard are devoid of merit and hence not acceptable.

15.6.8. Further, as regards the contention of the Noticee that SEBI cannot interfere with the business decisions taken by the Company, I note that the same are out of context as the instant allegation is not per se about how the MB was utilizing the IPO proceeds but about the failure on part of the Noticee in submitting the statement of deviation under Regulation 32 of the LODR Regulations, as the object of the issue required the Noticee to have utilized the proceeds inter alia for payment of security deposit for renting of office premises, however, the Noticee terminated the lease within six months and used the proceeds for investment inter alia in Fixed deposits.

In view thereof, the contention of the Noticee in this regard are devoid of merit and hence not acceptable.

15.6.9. Noticee as part of its replies to SCN, broadly also contended that the Board and shareholders approved the sale of the investment in Sunview and its reinvestment into new office premises. This was disclosed to BSE and, as per the Noticee, the ratification

cures any prior deviation. As regards ratification, Noticee placed reliance on judgment of the Hon'ble SAT in the matter of Terrascope Ventures Limited v. SEBI and Alps Motor Finance Ltd. v. SEBI, Terrascope Ventures Limited vs. SEBI Appeal No. 116 of 2021 decided on June 2, 2022.

In this regard, I note from the copy of resolution passed at the Annual General Meeting of the Members of the Noticee, as submitted by Noticee, that the same read in this regard as '*to Consider and Approve the Sale of Investment (shares) held by the Company in Sunview Nirman Private Limited to Gretex Share Broking Private Limited and also to Consider the recommendation of the Audit Committee on the said matter.*' I note from plain reading of this text that generally speaking, the text no where conveys that the said transaction was related to utilization of IPO proceeds and that there was any deviation in the object of utilization as stated in the prospectus and the actual usage. In view thereof, the contention of the Noticee in this regard is devoid of merit and hence not acceptable.

15.6.10. I note that sunview was made as subsidiary of Noticee solely by investing the proceeds received from the IPO by granting the same as loan and then converting it to equity; both the holding and the subsidiary company shared common directorship (Mr. Alok Harlalka was a common director) at the time of Conversion of loan to equity, purchase of the flat and usage of the flat**,** the flat was described as a "corporate guesthouse" for Gretex group directors and employees, majority of the funds for purchasing the flat was provided by the Noticee (four crores out of six crores)**.**

15.6.11. As regards contention of the Noticee that the purchased property was a corporate guesthouse, I note that the Noticee has not demonstrated the same along with relevant details and documents which may be applicable for a guesthouse viz., any

letter or communication to the concerned authority intimating that the property will be used as corporate guesthouse; details such as name, ID etc. of the caretaker of the property; register of guest containing details of guests who may have stayed at the property; rules framed with respect to availing the guesthouse facility; any notice or communication made to the employees informing that such guesthouse facility has become operational, bills relating to the guesthouse etc.

15.7. In this regard, with respect to allegation pertaining to false and misleading disclosure in the Prospectus of its IPO, Noticee, as part of its replies to SCN has inter alia placed reliance on Order of Hon'ble SAT in the matter of Mohandas Shenoy v. SEBI, wherein the following was inter alia observed:

> *"25…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." (Emphasis Supplied)*

In view thereof, having regard to the submissions of the Noticee and Hon'ble SAT order, as brought out above, I am inclined to allow benefit of doubt to the Noticee in this regard. I note that material available on record has not brought out how the provisions of Regulation 245 read with Schedule VI of ICDR Regulations, 2018 stood violated in this regard. Accordingly, I hold that the violation of Regulation 245 read with Schedule VI of ICDR Regulations, 2018 does not stand established.

15.8. In this regard, with respect to allegation pertaining to Noticee having failed to adequately disclose the details of the acquisition of shares

in a private company, Noticee as part of its replies to SCN contended that *'…Regulation 30 of the LODR Regulations emphasizes the need for companies to disclose material events promptly and fairly to ensure transparency. The Noticee fulfilled this requirement by informing the BSE about its decision to invest the unutilised funds. While the specific name of Sunview was omitted, the material aspect of the decision that an investment was made was duly disclosed…even if SEBI were to consider it as not in accordance with SEBI Circular dated September 09, 2015, the same at best was merely an unintentional oversight and not shows any deliberate attempt to withhold material information…'.*

15.8.1. In this regard, I note that the Noticee has neither denied nor disputed that a disclosure had to be made with respect to its acquisition of shares in Sunview, pursuant to which Sunview became its subsidiary. In this regard, I note that the submissions of the Noticee are in the nature of admissions in so far as the Noticee has submitted that '…*While the specific name of Sunview was omitted…'.* In this regard, I note that the disclosure dated March 17, 2022 only read as '…*the Board of Directors of the Company at its meeting held on March 17, 2022 at the registered office of the Company have approved Investment of unutilised funds of the Company….'.* I note that from the plain reading of the text of the disclosure that it does not specifically indicate that the disclosure was with respect to acquisition of equity in sunview using the proceeds from the IPO.

15.8.2. I note that the disclosure dated March 17, 2022 was inadequate in so far as the disclosure lacks mandatory specifics prescribed by SEBI circular dated September 09, 2015 which inter alia requires to disclose name of the target entity, details in brief such as size, turnover etc.; whether the acquisition would fall within related party transaction(s) and whether the promoter/ promoter group/ group companies have any interest in the entity being

acquired? If yes, nature of interest and details thereof and whether the same is done at “arms length”; industry to which the entity being acquired belongs; objects and effects ; nature of consideration -whether cash consideration or share swap and details of the same; cost of acquisition or the price at which the shares are acquired; percentage of shareholding / control acquired and / or number of shares acquired; brief background about the entity acquired in terms of products/line of business acquired, date of incorporation, history of last 3 years turnover, country in which the acquired entity has presence and any other significant information (in brief) etc.

15.8.3. In this regard, in my opinion, a disclosure merely stating that the Board had approved investment of unutilised funds, without specifying the name of the investee company or the nature of the transaction, may not sufficiently serve the objective of informed investor decision-making. In the context of a disclosure-based regulatory framework, such key particulars are generally considered essential, more so, when such an investment was made from IPO proceeds, led to creation of a subsidiary, and the subsidiary purchased a flat within 4 days, which was not in terms of the object stated in the prospectus. In this backdrop, in my view, a vague statement about “investment” is not adequate disclosure in terms of Regulation 30 of LODR Regulations, 2015 r/w Annexure I of SEBI circular dated September 09, 2015.

15.9. In view thereof, I note that Noticee raised money from its IPO inter alia for the object of payment of Security Deposit for Renting Office Space. In my opinion, decisions involving additional office space are of strategic and long term in nature. I note that Noticee intended additional office space and accordingly entered into lease agreement for a period of ten years, however, Noticee reversed its decision

within just four months by terminating the lease agreement citing reasons for which too proper details and documents have not been provided.

Thereafter, the Noticee invested the IPO proceeds in a fixed deposit for short period of about three months following which the money received through IPO was loaned to a private limited company (Sunview) and thereafter the said loan was converted into equity in the same month of having loaned it. In this regard, I note that Noticee has not demonstrated with relevant details and documents that proper approvals were taken from board or shareholders. Further in this regard, I note that the Noticee has not demonstrated as to how and why, Sunview, having its registered office in Kolkata, approached Gretex only which has its registered office in Mumbai, and why Gretex identified Sunview for granting the money received from IPO as a loan. I note from the loan agreement submitted by the Noticee in this regard that Sunview (borrower) was in need of funds in order to finance its business, however, the loan was repayable on demand of lender, which itself is conflicting and contradictory in nature.

In this regard, I also note that the loan agreement was signed by Pooja Harlalka (on behalf of Sunview) and by Alok Harlalka (on behalf of Gretex). In this regard, I note from the draft prospectus of Gretex dated June 14, 2021 as available at URL https://gretexcorporate.com/ (https://gretexcorporate.com/wp-content/uploads/2021/07/Draft-Prospectus_Gretex-corporate-Services-Limited.pdf) that Mrs. Pooja Harlalka is indicated as wife of Mr. Alok Harlalka. I also note that both Mrs. Pooja Harlalka and Mr. Alok Harlalka (who was also a director in Gretex) held directorship in Sunview Nirman Private Limited at the time of IPO. In this regard, I note that in the disclosure dated March 17, 2022 with respect to investment of unutilised funds neither the name of sunview nor the relation between sunview and Gretex was mentioned.

Thereafter, I note that this money received through IPO was used by Sunview to purchase a property which was claimed to be used as a guesthouse by group companies (including by Gretex). I note that in this regard too no convincing details and documents have been provided to indicate that said property was used as a guesthouse.

Subsequently, the shares of Sunview were sold by Noticee and the money received was invested in a liquid fund which was then redeemed and used by Noticee in purchasing a property in joint ownership with Gretex Share Broking Private Limited (GSBL). In this regard, I note that the divestment in Sunview and subsequent purchase of property with GSBL was undertaken by the Noticee pursuant to the inspection conducted by SEBI.

Accordingly, the contentions of the Noticee in respect of the alleged violations, in the backdrop of the developments as in the instant matter, inter alia involving raising of money for renting of office space but later loaning it to a related private limited company, thereafter converting it into equity and subsidiary buying a property with the money raised through IPO which is claimed to have been used as guesthouse and then divesting the shares in sunview to later purchase a flat in joint ownership with GSBL, in my view, cannot be accepted.

15.10. In view thereof, I find that the allegations that there was failure to submit statement of deviation or variation and that the noticee failed to adequately disclose the details of the acquisition of shares in a private company M/s Sunview Nirman Pvt Ltd. to make it its subsidiary, stands established. Therefore, I hold that the Noticee had violated provisions of Regulation 32 of LODR Regulations, 2015; Regulation 30 of LODR Regulations, 2015 read with Annexure I of SEBI circular dated September 09, 2015.

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HB of the SEBI Act, 1992?

16. It has been established in the foregoing paragraphs that Noticee had violated the provisions of LODR Regulations, 2015 and SEBI Circular.

17. In this regard, the Noticee in its replies to the SCN had inter alia contended that *'…past sebi orders have resulted in exoneration of the noticees or at the very best, miniscule penalty.. the judgment of the Hon'ble Supreme Court in the case of SEBI v. Shriram Mutual Fund is blindly applied by various Adjudicating Officers for imposition of monetary penalty by nitpicking few lines from the judgment…However, if correctly interpreted, the said judgment only holds that mens rea is not an essential requirement of all contraventions of statutory obligations, and not that each contravention, no matter how trivial or irrelevant or innocent, has to be penalized…In fact, the Hon'ble Supreme Court in its subsequent judgment in Bharjatiya Steel Industries v Commissioner, Sales Tax, Uttar Pradesh, expressly referred to the judgment in the matter of SEBI vs. Shriram Mutual Fund (supra) and held that the concerned authority always has to exercise his discretion as to whether to levy a penalty or not, and that for the exercise of such discretion, existence of mens rea becomes a relevant factor… The Hon'ble Supreme Court in SEBI v. Bhavesh Pabari, has held the Adjudicating Officers of SEBI to have sufficient discretion to impose penalties or exonerate entities by applying factors beyond Section 15J (a)(b)(c)….Reliance is also placed upon the decision in the matter of P.G. Electroplast and others v. SEBI.*

17.1. In this regard, I note that Securities Laws (Amendment) Act, 2014 prescribed a minimum penalty inter alia under Section 15HB of SEBI Act. The said amendment came into effect from the September 08, 2014. Further, I note that facts and circumstances of each case may

be unique in nature and are accordingly dealt with and decided. As regards Noticee's contention with respect to SEBI vs Shri Ram Mutual Fund [2006] 68 SCL 216(SC), I note that though Hon'ble SC had made observations with respect to mens rea, as also contended by the Noticee, however, Hon'ble SC has also made observation about imposition of penalty and held that:

"*...the breach of civil obligation which attracts penalty under the provisions of an Act would immediately attract the levy of penalty irrespective of the fact whether the contravention was made by the defaulter with any guilty intention or not...Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary…'*

17.2. As regards the contention relating to quantum of penalty and reliance on Bhavesh Pabari case by the Noticee, I note that the same is misplaced, as Hon'ble Supreme Court in SEBI v. Bhavesh Pabari had itself observed and held that :

'…At this stage, we must also deal with and reject the argument raised by some of the private appellants that the conditions stipulated in clauses (a) to (c) of Section 15-J are mandatory conditions which must be read into Sections 15-A to 15-HA in the sense that unless the conditions specified in clauses (a) to (c) are satisfied, penalty cannot be imposed by the Adjudicating Officer under the substantive provisions of Sections 15-A to 15-HA of the SEBI Act. The argument is too far-fetched to be accepted. Section 15-J of the SEBI Act enumerates by way of illustration(s) the factors which the Adjudicating Officer should take into consideration for determining the quantum of penalty imposable. The imposition of penalty depends upon satisfaction of the substantive provisions as contained in Sections 15-A to Section 15-HA of the SEBI Act…..'

17.3. Here it would also be relevant to draw reference to Order of the Hon'ble SC in the matter of SEBI vs Sandip Ray & Ors.{C.A. Diary No (s) 791/ 2023} wherein it was inter alia held:

"...Learned counsel for appellant further submits that even review application filed to make a correction in the order and to justify that the order reducing the penalty below Rs. 1,00,000/-is not permissible under Section 15HB of the SEBI Act, 1992. After we have heard learned counsel for the appellant, it clearly manifests that the Tribunal has not taken into consideration the effect and mandate of

Section 15HB of the SEBI Act, 1992. Taking into consideration the facts and circumstances of this case, there appears no justification in calling upon the respondent and we modify the order impugned dated 29.07.2022 and the penalty of Rs.75,000/-as inflicted upon noticee no.5 (Mr. Sandip Ray) and noticeeno.6 (Mr. Rajkumar Sharma), as referred to in para no. 13 of the order impugned, is modified and substituted to Rs.1,00,000/-in terms of Section 15HB of SEBI Act, 1992 and with this modification the present appeals stand disposed of.....".

In view thereof, the contentions of the Noticee in this regard are devoid of merit and hence cannot be accepted.

18. Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under section 15HB of the SEBI Act, 1992 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 No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

19. While determining the quantum of penalty under Section 15HB of the SEBI Act, 1992, it is important to consider the factors as stipulated in Section 15J of the SEBI Act,1992, which inter alia reads as under: -

SEBI Act, 1992

'…

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.

….'

Note: for detailed/ complete /exact text of the provisions, relevant Acts, Circulars etc., may please be referred.

20. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to investor or group of investors or profit made by the Noticee as a result of the violations committed by the Noticee. Further, there is nothing on record to show that the violations committed by the Noticee are repetitive in nature. However, I cannot ignore the fact that in a disclosure based regime the essence is about timely and complete disclosures which, if compromised with, may pose threat to ordely functioning of the securities markets and /or loss of investor confidence in the integrity of the securities market and that in the instant case, the Noticees had failed to make timely and complete disclosures. SEBI, as a regulator, is duty-bound to enforce compliance of these provisions. Therefore, I am of the view that such violations on part of the Noticee needs to be dealt with imposition of suitable penalty.

E. ORDER

21. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose the following penalty, as per the table below, on the Noticee, for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticee in this case:

Noticee Name	Penalty under Section	Penalty Amount (In Rs.)
Gretex Corporate Services Limited	15HB of the SEBI Act, 1992	Rs. 20,00,000/- (Rupees Twenty Lakhs Only)

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

ENFORCEMENT > Orders > Orders of AO > PAY NOW

23. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings 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.

24. In terms of the provisions of Rule 6 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

PLACE: MUMBAI
DATE: JUNE 27, 2025

AMAR NAVLANI
ADJUDICATING OFFICER