

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(4), 11B (1) AND 11D READ WITH SECTION 19 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

Sr. No.	Noticee Name	PAN
1	Neomile Corporate Advisory Ltd.	AAFNC8923K

Prologue.

1. The instant case has emanated from an internal “*preliminary*” examination by a department of the Securities and Exchange Board of India (“**SEBI**”). The matter pertains to advisers engaged in Initial Public Offers of certain Small and Medium Enterprises (“**SME IPOs**”) by issuer companies, Book Running Lead Manager (“**BRLM**”), and within notice of the stock exchanges and SEBI.
2. The matter also takes into account two main board initial public offers (“**IPOs**”) wherein, apart from entities associated with SME IPOs, SEBI also had direct role in examining the contents of the offer documents for giving observations including raising questions and objections, if deemed necessary, as per law.

Observations of Preliminary Examination.

3. Based on the preliminary examination conducted by SEBI, it was noted that: -
 - (a) in the offer documents filed with the stock exchanges for SME IPOs, and in that of the two main board IPOs, Neomile Corporate Advisory Ltd. (“**the Noticee**”) was acting as an ‘*Advisor to the Company/Issuer*’;
 - (b) the Noticee was neither the Statutory Auditor nor the Legal Counsel for these IPOs;

(c) on its website, the Noticee was disclosed as a “*SEBI registered Merchant Bank*” and that it was in the business of “*Capital market/ QIPs/ Buybacks/ SME-IPO/M&A*”;

(d) the disclosures were made that:-

*“Neomile Capital offers end- to- end assistance for small and medium enterprises(SMEs) seeking an initial public offering (IPO) launch on NSE Emerge. As an **SEBI – registered merchant bank**, we advise 25+ SME clients and participate in funding high potential issues as well.*

Our main board IPO advisory expertise covers:

- *Optimal issue structuring aligned to business maturity, peer comparisons and intrinsic value enhancement potential*
- *Regulatory guidance through prospectus drafting, filings, securing requisite approvals from SEBI and exchanges*
- *Initiating investor engagement 6-12 months prior through teasers, 1-on-1 meetings, pre-IPO equity allotment*
- *Valuations benchmarking analysis guides pricing strategy and determines valuation multiples*
- *Wider retail participation ensured through digital issue processes supporting UPI, apps and online payment avenues*
- *Allocation balanced across retail, HNIs and anchor investors in line with book built demand*
- *End-to-end issue execution support culminating in oversubscribed public listing.”*

(e) the agreements entered into between the Noticee and the issuer companies stated that the Noticee shall act as *an advisor to the issue* while the responsibility as regards the due diligence in respect of such SME IPOs was that of the corresponding BRLM;

(f) Noticee was majorly performing duties on behalf of the issuer company for smooth conclusion of the listing process;

- (g) in few of the SME IPOs, a substantial percentage of the issue proceeds were utilized towards the payment to the Noticee and no uniform practice was followed across the issues regarding the charging of fees paid to the advisor to issue;
- (h) Noticee carried out substantial activities by making wrong disclosure on its website as regards its registration with SEBI as a Merchant Banker;
- (i) Noticee cannot be construed as an unregistered merchant banker as the issues where it was associated, there were registered merchant bankers involved who were responsible for the due diligence pertaining to the said issues;
- (j) on making wrong and misleading disclosure on its web site as regards its registration with SEBI as a Merchant Banker; Noticee acknowledged the wrong disclosure made on its website and only after SEBI intervention the same was rectified;
- (k) by making above wrong and misleading disclosures on its website, the Noticee violated provisions of Section 12(1) of the Securities and Exchange Board of India Act, 1992 (“SEBI Act”).

Show Cause Notice and reply.

- 4. Pursuant to the above, a Show Cause Notice (“SCN”) dated April 25, 2025 was issued to the Noticee calling upon it to show cause as to why suitable directions including direction for debarment and cease and desist should not be issued against it under sections 11(1), 11(4), 11B(1), 11D read with Section 19 of the SEBI Act, 1992 for violation of Section 12(1) of the SEBI Act, for making wrong and misleading disclosures on its website regarding its registration with SEBI. A copy of the ‘preliminary’ Examination Report (“PER”) along with annexures thereto was forwarded to the Noticee as requested by its Authorized Representative, Joby Mathew & Associates (“AR”), vide its letter dated May 9, 2025
- 5. The Noticee filed for settlement of the instant proceedings in terms of the SEBI (Settlement Proceedings) Regulations, 2018, but subsequently withdrew its application and filed its replies vide letters dated May 9, 2025, June 2, 2025, June 10, 2025. An opportunity of personal hearing was availed by the Noticee on August 28, 2025 when the AR of the

Noticee along with Mr P.N Modi (Senior Advocate) and Mr. N Lashkari (Advocate) appeared on its behalf and made oral submissions based on its replies. Ld. Senior Advocate made detailed arguments based on the replies of the Noticees. He emphasised that the Noticees acts were by genuine mistake and not as a *mala fide* act. The error was inadvertent and was immediately corrected when noticed. During the personal hearing, the Noticee was advised to provide the time period when it was shown as a SEBI registered Merchant Banker on its old website and when exactly did the error as claimed was rectified. Vide its letter dated September 8, 2025, the Noticee filed its written submissions post personal hearing.

Consideration of allegation, replies and Findings thereon.

6. I have carefully considered the allegations made in the SCN, the PER and the replies/submissions of the Noticee. In its replies, the Noticee has made a technical objection that it was denied the opportunity to inspect the originals of the documents relied on by SEBI. It has contended that the refusal to provide inspection of original documents, whether relied upon or not, is contrary to the principles of natural justice.
7. It is matter of record that the Noticee's request to inspect the originals of the documents was denied after due consideration and with reasons and was duly communicated to it vide letter dated May 22, 2025 that the evidence forming allegations in the SCN are based on the screenshots from Noticee's own website, emails correspondence between Noticee and SEBI and the offer documents filed by SMEs which are available in public domain. As all evidences relied upon by SEBI to frame the allegations and charges in the SCN were provided, Noticee was duly informed about the decision that the request for inspection of documents were not acceded to. During the personal hearing this contention was not pressed by learned advocates of the Noticee.
8. Vide letter dated June 2, 2025 the Noticee has submitted that neither the PER nor the SCN, set out details or particulars of the agreements relied on by SEBI. Further, the PER refers to the CMS ATR Report for the Noticee but the same has not been provided as part of the Report. While contending that the principles of natural justice require full and fair disclosure of all relevant material to enable the Noticee to defend itself, the following judgments were referred to by the Noticee—

- (i) *T Takano v. SEBI*¹;
- (ii) *Milind Patel v Union Bank of India*² and
- (iii) *Chanda Kochhar v. SEBI*³.

9. It is a settled position in the later judgement of Hon'ble Supreme Court in the case of *Kavi Arora v. SEBI* (Order dated September 14, 2022) that the principles of natural justice do not require the supply of documents upon which no reliance is proposed to be placed by the authority setting the law into motion. If the documents sought to be relied upon, which are the basis of issuance of SCN, have been supplied to the Noticee, then courts cannot compel authorities to supply documents that are not to be considered or relied upon.

10. In the instant case, the agreements entered into by the Noticee and the issuer companies are not relied upon to form allegations against the Noticee. The statement in the PER as well as in the SCN that – “...*the agreements entered into by NCAL and the issuer companies stated that it shall act as an advisor to the issue while the responsibility as regards the due diligence in respect of such IPOs was that of the corresponding BRLM only. NCL was majorly performing duties on behalf of the issuer company for smooth conclusion of the listing process*” is made only to corroborate the fact that the Noticee was acting as ‘advisor’ to the issuer companies as disclosed in their offer documents and as disclosed on its website. The evidence relied upon by SEBI and as specified in the PER is based on the screen shot of the Noticee’s own website at the relevant time and email correspondences of SEBI with the Noticee. Admittedly, the Noticee removed the claimed ‘inadvertent error’

¹ 2022 SCCOnline SC 210. At Para 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.*”

² 2024 SCCOnline Bom 745. At Para 26 - “*Not only must information that is referred to and relied on in the show cause notice be supplied but also information that may undermine the allegations contained in the show cause notice (which may therefore not be referred to or relied on) must be supplied only to ensure that everything relevant to arrive at the truth is available to both parties.*”

³ Order dated May 2, 2025. At Para. 10 - “*It is elementary that the human mind does not function in compartments. When it receives impressions from different sources, it is the totality of the impressions which goes into the making of the decision and it is not possible to analyse and dissect the impressions and predicate which impressions went into the making of the decision and which did not.*”

regarding it being as a merchant banker from its website as soon as it was pointed out by SEBI. Also, SEBI's email correspondence dated September 6, 10 and 13 of 2024 was with the Chief Executive Officer (CEO) of the Noticee and not some other third party, originals of which is accessible to the Noticee at any time. Further, CMS ATR Report as referred in the PER is SEBI's internal data of action taken in the past against the entities. The PER notes that there is no prior action taken against the Noticee as per the CMS ATR Report, which could be considered as a mitigating factor in its favour of and not against it nor to its prejudice. In my view, seeking original of this CMS ATR Report which is available in SEBI's internal system is without any clear cause.

11. Thus, as per the settled law, all relied upon documents has been provided to the Noticee and their originals are in its possession and control and the principles of natural justice have been duly complied with, in the instant case.
12. Having dealt with the preliminary contentions as above, I now proceed to deal with the merits of the case. The charge as per the PER is that the Noticee violated provisions of section 12(1) of the SEBI Act and the basis of the charge is that it made wrong and misleading disclosure on its web site as regards its registration with SEBI as a Merchant Banker. In support of this charge reference has been made, in the PER, to regulation 2(1) (cb) and regulation 23(4) of the SEBI (Merchant Bankers) Regulations, 1992 ("**Merchant Bankers Regulations**") and regulation 23(4) of the (Issue of Capital and Disclosure Requirements) Regulations 2018 ("**ICDR Regulations**"). The provisions of section 12(1) of the SEBI Act alleged to have been contravened in this matter, are reproduced as under:

"Registration of stock brokers, sub-brokers, share transfer agents, etc.

12.(1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulation made under this Act:..."

13. Learned Senior Advocate vehemently argued that the PER (in para 17) has itself noted that
- *"It may however be noted that on the basis of the information obtained during the*

examination, NCAL cannot be construed as an unregistered merchant banker as the issues where it was associated, there were registered merchant bankers involved who were responsible for the due diligence pertaining to the said issues.” Thus, it is admitted position that the Noticee was not acting as unregistered Merchant Banker and, thus, it cannot be held to have violated the provisions of section 12(1) of the SEBI Act.

14. I note that provisions of section 12(1) starts with negative command. Its non-compliance is also an offence under section 24 of the SEBI Act. Thus, it provides for a mandatory requirement. According to this section, any person who acts as a Merchant Banker without obtaining registration from SEBI in doing so is in contravention of the provisions of section 12(1) of the SEBI Act. This section does not deal with wrong and misleading disclosure about registration with SEBI as a Merchant Banker.

15. Since, the PER also refers to regulation 2(1) (cb) of the Merchant Bankers Regulations and regulation 23(4) of the ICDR Regulations in support of the charge, I deem it appropriate to examine the facts of the case from this angle also. It is noted that the SEBI Act does not provide for the definition of the expression ‘*Merchant Banker*’. The definition of this expression is provided in regulation 2(1) (cb) of the Merchant Bankers Regulations. As per said regulation 2(1) (cb), a Merchant Banker is “...*any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management.*” [emphasis supplied].

16. Thus, a person who is engaged in in the business of issue management by either of following services is a Merchant Banker:-

- (a) *by making arrangements regarding selling, buying or subscribing to securities; or*
- (b) *acting as manager, consultant, adviser; or*
- (c) *rendering corporate advisory service;*

17. I note that regulation 3(2) of the Merchant Bankers Regulations lists out following categories of Merchant Banker based on the nature of activities they can undertake in relation to an issue management; such as:

- (a) Category I, that is—

- (i) to carry on any activity of the issue management, which will, *inter alia*, consist of preparation of prospectus and other information relating to the issue, determining financial structure, tie up of financiers and final allotment and refund of the subscriptions; and
- (ii) to act as *adviser, consultant*, manager, underwriter, portfolio manager;
- (b) Category II, that is to act as adviser, consultant, co-manager, underwriter, portfolio manager;
- (c) Category III, that is to act as underwriter, adviser, consultant to an issue;
- (d) Category IV, that is to act only as adviser or consultant to an issue.

18. As per regulation 3(2A) of the Merchant Bankers Regulations with effect from December 9, 1997, SEBI does not register Category II, III and IV of Merchant Bankers and all the activities are now permitted only under Category I Merchant Banker. However, Category II, III and IV are still part of the Merchant Bankers Regulations though they have been rendered redundant now. They were retained in the Regulations, at that time, for a limited purpose to deal with cases where registration for respective category continued till it expired or was cancelled. Now, there is need to relook at the language of the said Regulation 3(2) and 3(2A).

19. The expressions “*issue management*” and “*corporate advisory service*”, etc. are neither defined in the SEBI Act nor in the Merchant Bankers Regulations. As per clause 2.1.1 of the Master Circular for Merchant Bankers dated September 26, 2023 the activities undertaken by a Merchant Banker is further clarified to include the following namely; –

- (a) managing of Public Issue of Securities;
- (b) Underwriting connected with the aforesaid Public Issue Management Business;
- (c) Managing/advising on International Offerings of Debt/Equity i.e. GDR, ADR, bonds and other instruments;
- (d) Private Placement of Securities;
- (e) Primary or Satellite dealership of Government Securities;
- (f) *Corporate Advisory Services* related to the Securities Market such as takeovers, acquisitions, disinvestment etc.;
- (g) Stock-broking;
- (h) *Advisory services for projects*;

- (i) Syndication of rupee term loans; and
- (j) International Financial Advisory Services.

20. In view of the above, a Merchant Banker is an intermediary who carries out activities of issue management consisting of preparation of prospectus and other information relating to the issue, determining financial structure, tie up of financiers and final allotment and refund of the subscriptions. Further, a Merchant Banker is also one who is engaged as an '*adviser or a consultant etc., in relation to the issue management*'. I, therefore, am of the view that as per section 12(1) read with regulation 2(1) (cb) and 3(2) of the Merchant Bankers Regulations read with clause 2.1.1 of the Master Circular for Merchant Bankers dated September 26, 2023 any person who acts as '*adviser or a consultant etc., in relation to the issue management*' is also a Merchant Banker although he is not Merchant Banker in respect of any issue of prospectus, in a sense of activities of issue management. Thus, registration under section 12(1) as Merchant bankers could be required for such advisers/consultants also.

21. According to the Noticee, while the merchant bankers do perform the activities performed by the Noticee, there is no prohibition from providing assistance or service which may, *inter alia*, include acting as an '*advisor*' bridging the client's understanding of requirements sought from by various intermediaries. Ld. Senior Advocate pithily and valiantly argued that all kind of '*advisers*' assisting the Merchant Banker or issuer companies with their expertise cannot be brought in purview of section 12 since SEBI has permitted legal counsels, statutory auditors, project advisors and other advisers that may be engaged by issuers by *inter se* agreement or by BRLM and they are not required to be registered with SEBI as Merchant Bankers. According to him, all the impugned issuers had engaged the Noticee as advisers as per duly executed *inter se* Agreements and necessary disclosures were made to the stock exchanges and also to SEBI while filing the draft/final offer documents in respect of all the impugned SME IPOs and the two main Board IPOs, respectively. Thus, there was no *mala fide* or any blameworthy act on the part of the Noticee. Had it intended to make wrong disclosures on its website as alleged, it could have also avoided upfront disclosures that it is not a Merchant Banker much less a registered Merchant Banker.

22. Admittedly, the Noticee was not a Merchant Banker in a sense of issue management in respect of any of the SME IPOs or main Board IPOs mentioned in the PER. But it, admittedly, was an *adviser* in relation to issue in respective SME IPOs. I find that, as per PER, in all the impugned SME IPOs wherein the Noticee was, though found to be not acting as a “*Merchant Banker*” according to SEBI’s Examination Report, it was associated as the “*Advisor to the company*”, and a SEBI registered intermediary was separately engaged as the Lead Manager to the issue by all the issuers. The allegation and charge is not that it acted as unregistered Merchant banker. In fact, PER as mentioned above exonerates the Noticee in this respect. Thus, it is doubtful to use regulation 2(1) (cb) of the Merchant Bankers Regulations for charging the Noticee for contravention of Section 12(1) of the SEBI Act, under the facts and circumstances of this case.
23. According to the Noticee, regulation 23(4) of the ICDR Regulations relates to the duties and obligations of the registered merchant bankers. It is noted that PER and SCN do not allege violation of the Regulation 23(4) of the ICDR Regulations by the Noticee. This regulation has been relied upon to support the allegation that Noticee had made wrong and misleading disclosures regarding its registration as Merchant Banker on its website. Regulation 23(4) further provides that the issuer shall in consultation with the lead manager(s), appoint other intermediaries which are registered with the Board after the lead manager(s) have independently assessed the capability of other intermediaries to carry out their obligations. In the instant matter, admittedly, the Noticee is not a registered intermediary and no fault has been found that for acting as adviser in the IPOs it is required registration to be registered as a Merchant Banker or any other intermediary.
24. It is pertinent to mention that Schedule II of the ICDR Regulations permits BRLM to interact on any matter relevant to the issue with the solicitors or legal advisors, auditors, consultants, *advisors to the issue*, public financial institutions, commercial banks and any other intermediary associated with the issue. As per clause (2) of Schedule II, the covenants by the issuer shall *inter alia* include covenants in respect of interaction of BRLM with ***on any matter relevant to the issue with the solicitors or legal advisors, auditors, consultants, advisors to the issue, public financial institutions, commercial banks and any other intermediary associated with the issue.*** Thus, apart from Statutory Auditor and the Legal Counsel for the IPOs, advisors to the issue can also be engaged. As per the extant Merchant

Bankers Regulations, such advisers also are required to be registered as a Merchant Banker. However, in practice, this not the situation. Statutory Auditor, the Legal Counsel, advisers to the issue, advisers to project, etc. are not mandated by SEBI by policy to get registered as Merchant Banker. In fact, the PER recognises that the Statutory Auditor, the Legal Counsels and advisers to the issue are not required to be registered under Section 12(1) of the SEBI Act. But regulations 2(1) (cb) and 3(2) of the Merchant Bankers Regulations say otherwise. However, I leave the matter there for policy makers to see whether the terms ‘*adviser*’ and ‘*consultant*’ in regulation 2(1) (cb) and 3(2) of the Merchant Bankers Regulations need any definition/clarification to be keep them out of ambit of section 12(1) lest such cases may arise for enforcement selectively leading to inconsistency.

25. The case could fall within the purview of this section 12(1) if a person acts as unregistered Marchant Banker. However, in this case, it is admitted position in the PER that the Noticee ‘*cannot be construed as an unregistered merchant banker as the issues where it was associated, there were registered merchant bankers involved who were responsible for the due diligence pertaining to the said issues.*’ Thus, it can’t be said that the Noticee contravened the provisions of section 12(1) of the SEBI Act. The basis of charge is, thus, misplaced.
26. In the facts and circumstances of this case, such misleading disclosures, if any, *per se* would be not fall within scope of section 12(1). A case of wrong and misleading disclosure could attract SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“**the PFUTP Regulations**”), if SEBI finds any misrepresentation within the scope of definition of ‘*fraud*’ or disclosures are ‘*fraudulent*’ within scope of regulation 2(1)(c) of the PFUTP Regulations. In the instant case, there is no finding or allegation that the case involves *fraud* or misrepresentation.
27. The scope of the factual matrix for determining the allegation is confined only to the wrong and misleading disclosure of the Noticee on its website. During the examination, when SEBI had sought information/clarification regarding the disclosure on its website as a ‘SEBI -registered Merchant Bank’, the Noticee had vide email dated September 10, 2024 informed that: -

“We have reviewed the contents of the screenshots shared by you and there seems to be some error on the website.

The reason for such an inadvertent error in the disclosure screenshot might be on account of migrating the website from an older version to a newer version. All content on our website is subject to the General Disclaimer, which reproduced as below for your reference–

“Disclaimer:

Disclaimer: Neomile Corporate Advisory Pvt. Ltd., and Neomile Growth Fund – Series I are separate legal entities with different service offerings. Neomile Corporate Advisory is an advisory firm specializing in capital market solutions including IPOs, QIPs and debt Offerings. Neomile Growth Fund is an SEBI-Registered Category 3 Alternative Investment Fund focused on growth-stage investments in listed technology companies. While the word “Neomile” appears in both names, the two organizations are fully independent entities with distinct business verticals in compliance with applicable SEBI guidelines and regulations. For complete transparency and details on business activities, ownership structure and key management personnel of both organizations, please click here for full disclosures”

To our knowledge, we have revamped and started the migration process to a newer version of the website from January 2024 onwards. The process is still underway.”

28. In its reply dated June 10, 2025, the Noticee has stated that the inadvertent error, crept into its website while transitioning from the old version in and around January, 2024 which was promptly removed as soon as the same was pointed out by SEBI in September, 2024. The same is also recorded in the PER and the SCN. In the PER (para 14) however, it has been observed that - ‘ it is noted that it continued disclosing itself as a SEBI registered Merchant Banker without obtaining any such registration. The explanation provided by Neomile did not justify such a misleading disclosure on its website. Further, it was acting as an intermediary between the merchant bank and the issuer company while being disclosed as advisor to issue/issuer company is offer documents.”

29. I find that the observation given in para 14 of the PER, which is also the basis of charge in the SCN, is not borne out by any cogent reasons and has no correlation with acts of the Noticee in respect of specific SME IPOs with disclosures on its website. The Noticee had submitted that the error on its website occurred during January 2024. For its observations, in para.1, the PER relies upon following three SME IPOs which all were made during 2023 i.e. prior to the alleged disclosure on the website of the Noticee –

Sr. No.	Name of Company	Issue date	Lead Manager
1.	Vrundavan Plantation Ltd	October 30-November 01, 2023	Interactive Financial Services Ltd
2.	Micropro Software Solutions Ltd	November 03-November 07, 2023	Swaraj Shares and Securities Private Ltd
3.	Committed Cargo Care Ltd	October 06-October 10, 2023	Fedex Securities Private Ltd

30. The Examination has not tried to verify the veracity of Noticee's claim. In para 11, the PER has given list of 15 IPOs (including above 3) out of which two were main board IPOs. This list has been given to deal with fees received by the Noticee for acting as adviser in respect of said IPOs during the period April 2023 to August 2024. The submission that the Noticee was not associated with any IPO in FY 2022-23 has been accepted. In para 8 of the PER, it has been noted that issuer companies have confirmed that the Noticee was engaged by them to act as an advisor to the issues while the responsibility of due diligence in issue management of the respective IPOs was that of the BRLM only. It has been further concluded that the Noticee was “.. majorly performing duties on behalf of the issuer company for smooth conclusion of the listing process.” In para 17, as discussed above, the PER has concluded that Noticee has not acted as unregistered Merchant Banker. In para 12 of the PER, based on substantial fees received by Noticee it has been concluded that the Noticee was an advisor while it was disclosed as SEBI registered Merchant Banker on its website.

31. According to the Ld. Senior Advocate, the Noticee was always engaged by concerned issuer and the fees were always paid by them as per mutually agreed terms. Further, there is no law, rule, regulation or circular by which fees payable by companies to ‘advisors’ is restricted or capped. I note that the SCN and PER do not allege any contravention of any

law in this regard nor any explanation has been attempted to be sought from the Noticee. SEBI has not specified any regulation on fees to be charged by Statutory Auditor, the Legal Counsels and advisers to the issue, etc. No scale of fee has been prescribed for **solicitors or legal advisors, auditors, consultants, advisors to the issue** who are permitted to be engaged and no question has been raised to issuer companies as to why did they pay the amount of fees which is said to be substantial. I, therefore, find that it is not possible to draw any adverse inference against the Noticee based on this fact.

32. In para 16, it has been stated in the PER that the Noticee carried out substantial activities by making wrong disclosures on its website. However, the PER has not given any correlation or nexus between the wrong disclosures made on its website with IPOs listed in its para 11. It is brought on record that during preliminary Examination no inquiry was made with issuer companies as to why did they engage the Noticee. As per record provided in the proceedings, it is noted that during preliminary Examination, with regard to acts of Noticee, SEBI had sought information from only two of the respective BRLMs as discussed hereinafter :-

(a) Interactive Financial Services Limited, who was BRLM in respect of SME IPOs of SRM Contractors Ltd and Vrundavan Plantation Ltd., vide its email dated April 4, 2024 submitted the following with respect to the scope of the functions performed by the Noticee:

“Neomile Corporate Advisory Ltd act as the Advisor on behalf of the company and they assist the company in preparing for Initial Public Offer and in consultation with the company they assist in appointing various intermediaries. In SRM Contractors Ltd they have introduce us the company in September 2022. Vrundavan Plantation Ltd was also introduce by them. As far as we know they have not entered into any agreement with the Issuer. The Role of Neomile was introduce us to the company which are planning to come with IPO or need our help to verify the eligibility criteria for the IPO.”

(b) Swaraj Shares and Securities Private Ltd, BRLM in respect of IPO of Micropro Software Solutions Ltd vide email dated April 4, 2024 forwarded a copy of the Engagement Letter dated August 2, 2023 between the issuer company and the Noticee. As per this Engagement Letter, Noticee is engaged for its services as ‘Exclusive Strategic Advisor’ for fund raising by way of IPO for expansion of business activities

of the issuer company. The indicative scope of services as per the Engagement Letter is provided as under:

“Indicative Scope of Services

Neomile will act as the Strategic Advisor and will advise on the following services to your Company:

- a) Recommendations for appointment of third-party intermediaries such as PR Agencies, Printers, Advertising Agency, and other external marketing agencies for the effective discharge of their functions for the proposed IPO.*
- b) Assistance for planning and executing an effective marketing and roadshow strategy to generate interest and demand for the IPO.*

These activities shall be carried out in consultation with the Issuer and the Lead Manager.”

33. It is pertinent to note that there is nothing on record that any further inquiry was done with other issuers. Further, with regard to Vrundavan Plantation Ltd., it is noted it was not included in the list of issuer companies given in para 11 of PER citing reason that Noticee was doing only referral service with no other scope of fees being charged by it. Further SRM Contractors Ltd., is not included in the list given in para 11 of PER. Therefore, it is unclear how a finding has been arrived to say in para 16 of the PER that the Noticee carried out substantial activities by making wrong disclosures on its website. I find that the PER makes observations which are not supported by any cogent factual matrix. Be that as it may, the activity of Noticee was not that of Merchant Banker and the information provided by BRLMs also does not support any allegation. The only material relevant in PER is the screenshot from the website of the Noticee.

34. It is an admitted fact that the Noticee did not act as unregistered Merchant Banker and the disclosures on website of the Noticee were wrong. According to the Noticee, the website went live in and around June 2024 and the error was corrected immediately after SEBI pointed out the same vide its letter dated September 9, 2024. PER has not gone into the period of such disclosure which was a crucial element. No case has been made that wrong disclosures influenced the decisions of issuer companies and BRLM. There is no allegation of any knowing misrepresentation of fact.

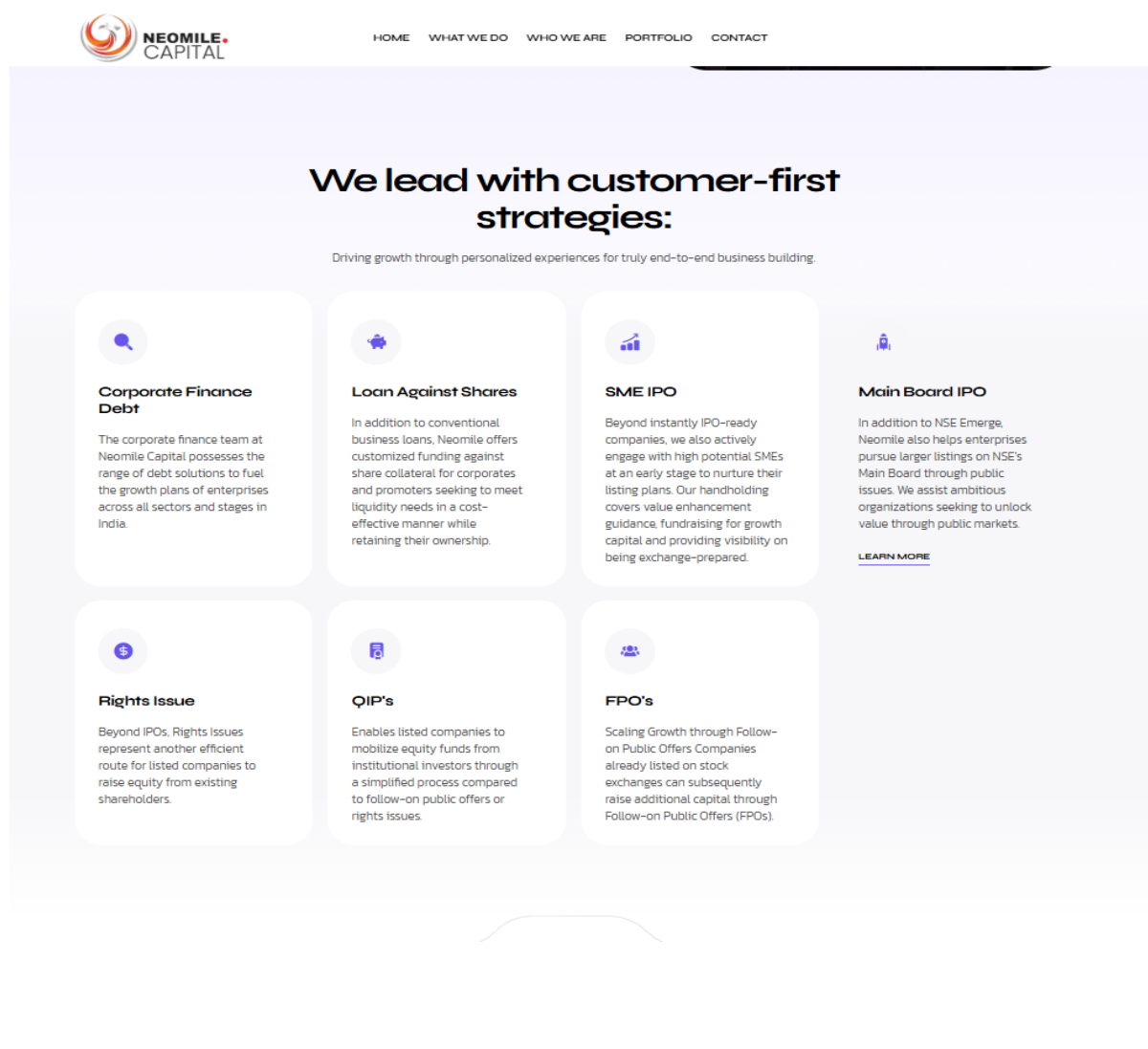
35. Further the wrong disclosure about it being ‘SEBI -registered Merchant Bank’ has not influenced any of the issuers or BRLM who are expected to exercise their due diligence

about any such advisers, consultants, Statutory Auditor and the Legal Counsel, etc. and are not gullible so as to fall prey to such wrong disclosures. As per regulation 23(1) of the ICDR Regulations, the issuer shall appoint SEBI registered Merchant Banker as lead manager to the issue. As per regulation 23(4) of the ICDR Regulations, the issuer is required to appoint intermediaries in consultation with the lead manager and after the lead manager has independently assessed their capability. In the instant matter, the Noticee is, though not an intermediary, the issuer and lead manager are expected to engage and interact with advisers, consultants, Statutory Auditor and the Legal Counsel, etc. as permitted by SEBI (see Schedule II of the ICDR Regulations) after independently assessing their capability, creditworthiness and professionalism.

36. In this case, no material has been brought that the issuers or concerned BRLM have been influenced by the wrong disclosures during the time they interacted and engaged the Noticee. The case does not involve any mischief to harm any person in the market and the basis is disclosure simpliciter. The PER does not suggest that the issuer companies entered into agreements with Noticee treating it as a SEBI registered Merchant Banker. All that is brought on record is that the agreements were for its services as *“Advisor to the Company.”* It is not in dispute that neither the issuers, concerned BRLM, Legal Counsel advising in each IPO, stock exchanges, SEBI while giving observation on the two IPOs also have not raised any objection to the Noticee being disclosed as SEBI registered Merchant Banker and acting as an “advisor” to the respective companies. Considering these facts coupled with absence of examination of material particulars as discussed above, I am inclined to accept that the error was inadvertent and give benefit of doubt to the Noticee for the said error.

37. The Noticee has also submitted that NSE and SEBI vetted and approved offer documents of the SME IPOs and raised no objections to the Noticee being disclosed as an “advisor” to the companies. SEBI vetted and approved offer documents of 2 main board IPOs; i.e. Mukka Proteins Limited and Ratnaveer Precision Engineering Limited, companies whose shares are listed on NSE and BSE respectively. SEBI raised no objection to the fact that Noticee was disclosed as an “Advisor to the Company” in the Draft Red Herring Prospectus of Mukka Proteins or that the Noticee was disclosed as an “Exclusive Strategic Advisor” in their Red Herring Prospectus. Similarly, in the case of Ratnaveer Precision Engineering

Limited SEBI raised no objection to Noticee being “Advisor to the Company” in its Red Herring Prospectus. In the case of Mukka Proteins Limited, agreement between the company and the Noticee was filed with SEBI which discloses the fees payable to the Noticee, yet no objection was ever raised by SEBI. I find merit in this submission since there is no quarrel that Noticee was acting as adviser in respect of the impugned IPOs and no question has been raised with regard to its activity as such. The SCN itself records that the disclosure was rectified as soon as it was brought to the notice of the Noticee. Thus, it is also an admitted fact in the PER that the Noticee has removed the error on its web site and the updated disclosures available on its website during preliminary Examination by SEBI was – *“Neomile Capital offers end-to-end assistance for small and medium enterprises (SMEs) seeking an initial public offering (IPO) launch on NSE Emerge. As an Advisor, we advise 25+SME on IPOs and participate in funding high-potential issues as well.”* Presently, the Noticees’ website has disclosures as under:



The screenshot displays the Neomile Capital website. At the top, the logo and navigation menu (HOME, WHAT WE DO, WHO WE ARE, PORTFOLIO, CONTACT) are visible. The main heading reads "We lead with customer-first strategies:" followed by the tagline "Driving growth through personalized experiences for truly end-to-end business building." Below this, seven service cards are arranged in two rows. Each card features an icon, a title, and a brief description of the service.

Service	Description
Corporate Finance Debt	The corporate finance team at Neomile Capital possesses the range of debt solutions to fuel the growth plans of enterprises across all sectors and stages in India.
Loan Against Shares	In addition to conventional business loans, Neomile offers customized funding against share collateral for corporates and promoters seeking to meet liquidity needs in a cost-effective manner while retaining their ownership.
SME IPO	Beyond instantly IPO-ready companies, we also actively engage with high potential SMEs at an early stage to nurture their listing plans. Our handholding covers value enhancement guidance, fundraising for growth capital and providing visibility on being exchange-prepared.
Main Board IPO	In addition to NSE Emerge, Neomile also helps enterprises pursue larger listings on NSE's Main Board through public issues. We assist ambitious organizations seeking to unlock value through public markets. LEARN MORE
Rights Issue	Beyond IPOs, Rights Issues represent another efficient route for listed companies to raise equity from existing shareholders.
QIP's	Enables listed companies to mobilize equity funds from institutional investors through a simplified process compared to follow-on public offers or rights issues.
FPO's	Scaling Growth through Follow-on Public Offers Companies already listed on stock exchanges can subsequently raise additional capital through Follow-on Public Offers (FPOs).

38. It is also noted that several advisers are operating in market giving public disclosures on websites about their activities which are akin to the activity of a Merchant Banker. For example, “*Co Ka Co*”, *Value Square Capital*, etc. *Co Ka Co* has mentioned on its website that it also engaged in “Preparing Prospectus and Offer Documents”. *Value Square Capital* has mentioned on its website that it is engaged on “Issue Management Services” and “*crafting*” offer documents. It is further noted that even in the instant case, allowance has been given for advisory services.

Directions.

39. Having legal mandate in Merchant Bankers Regulations to insist advisers in relation to issues to get registered as Merchant Bankers, conspicuous regulatory acquiescence has been given in enforcing ICDR Regulations to allow advisers in relation to issue without insisting registration as Merchant Banker. It is relevant to mention that Hon’ble Supreme Court, in the matter of *Chairman, State Bank of India v. MJ James, 2021 SCC OnLine SC 106111*, held that acquiescence virtually destroys the right of the person. Acquiescence can be either direct with full knowledge and express approbation, or indirect where a person having the right to set aside the action stands by and sees another dealing in a manner inconsistent with that right and in spite of the infringement takes no action mirroring acceptance.

40. As regards, choice of enforcement for wrong disclosures as in this case, it is noted that alleging “*wrong and misleading disclosure*” as in the instant case, in the matter of *Value Square Capital*, enforcement action by way adjudication under section 15HB of the SEBI Act was initiated. In that case, the allegation was even more serious as not only the wrong and misleading disclosures was alleged but it was also alleged that *Value Square Capital* was projecting itself a Merchant Banker and intended to offer services related to IPOs, buybacks, takeovers and delisting (all these activities are obviously “Corporate Advisory Services” as clarified in clause 2.1.1 of the Master Circular dated September 26, 2023). In this case, considering the facts that -*Value Square Capital* had rectified its error as and when it came to its knowledge and the error was an inadvertent, as mitigating factor, the Adjudicating Officer of SEBI, vide his order No. Order/AN/SM/2025-26/31441 dated May 29, 2025, imposed a meagre penalty of Rs. 1 lac only on *Value Square Capital*. In the instant case, in contrast to the case of *Value Square Capital*, the PER exonerates the Noticee for allegation for any possibility of holding out to be acting as unregistered Merchant

Banker and vaguely alleges that it contravened Section 12(1) by making wrong and misleading disclosures under said section but more drastic and serious enforcement action has been initiated by the SCN.

41. It is important to mention that for exercising the choice to issue such directions authority must be guided by the principles of consistency and proportionality. The current proceedings do not entail restorative justice practice as no victim restitution is contemplated and action results to the prejudice of the Noticee without any charge of impinging market integrity or investor protection rather for penalising the Noticee. Thus, the trade-off tends to be made more in favour of consistency and proportionality. While proportionality demands a penalty should be proportionate with the mischief it seeks to address and penalties cannot be disproportionate to the magnitude of default. No arithmetical formula can be devised to impose a fixed penalty on each case. Thus, consistency comes into play. However, given a set of alternatives, pairwise comparison matrices also come into play and different matrices may apply to a similar case if magnitude of both cases materially differ with regard to different matrices. In this case, on merits the case seems to be less severe than the case of *Value Square Capital* (supra)
42. In this connection, I deem it to point out that Hon'ble, Supreme Court in its judgement dated July 11, 2022, in the matter of **SEBI Vs. Sunil Krishna Khaitan and Others (Civil Appeal NO. 1762 OF 2014)** cautioned SEBI to be consistent and predictable while choosing actions. The following observations of Hon'ble Supreme Court are worth mentioning as guiding principles: -

“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.⁴ Lord Diplock has aptly said “unless men know what the rule of conduct is they cannot regulate their actions to conform to it.” Otherwise the regulator “fails in its primary function as a rule” maker.⁵ 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 expectation⁶ 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.”⁷

⁴ *Union of India v. Raghubir Singh*, (1989) 2 SCC 754. Also see, *The Nature of the Judicial Process*, Benjamin N. Cardozo, page 33: “I am not to mar the symmetry of the legal structure by the introduction of inconsistencies and irrelevancies and artificial exceptions unless for some sufficient reason, which will commonly be some consideration of history or custom or policy or justice. Lacking such a reason, I must be logical just as I must be impartial, and upon like grounds. It will not do to decide the same question one way between one set of litigants and the opposite way between another.”

⁵ *Franics Bennion*, *Bennion on Statutory Interpretation*, Fifth Edition (Indian reprint), Section 266 at page 801.

⁶ See, *Council of Civil Service Unions v. Minister for the Civil Service*, 1985 AC 374, wherein it was observed in that case that for a legitimate expectation to arise, the decisions of the administrative authority must affect the person by depriving him of some benefit or advantage which either (i) he had in the past been permitted by the decision-maker to enjoy and which he can legitimately expect to be permitted to continue to do until there has been communicated to him some rational grounds for withdrawing it on which he has been given an opportunity to comment; or (ii) he has received assurance from the decision-maker that they will not be withdrawn without giving him first an opportunity of advancing reasons for contending that they should not be withdrawn.

⁷ *Bannari Amman Sugars Ltd. v. Commercial Tax Officers and Others*, (2005) 1 SCC 625.

43. Hon'ble Supreme Court also held that when a view is being taken which was contrary to the view expressed by it in communications and orders passed by SEBI, such a view would not be legally sustainable unless good grounds are present for supporting the different view. It was also held that past is *passe* and not present, and by giving '*retroactive*' operation without good reason and ground, the direction violates fundamental notions of predictability and legal stability. In this case, as discussed above the different approach in choice of action without good reasons for differentiation, giving exoneration on the foundation of allegation as was in other case, light observations and contradicting conclusions violate fundamental notions of predictability and legal stability as observed by Hon'ble Supreme Court.
44. Further, on the principles of legitimate expectation, apart from applying the principles of proportionality, the Regulator is expected to choose a particular action having due regard to the consequences of action on legitimate business activity. As held by Hon'ble Supreme Court in ***Punjab Communications Ltd. v. Union of India and Others***,⁸ for a legitimate expectation to arise, the decisions of the administrative authority must affect the person by depriving him of some benefit or advantage which he had in the past been permitted by the decision-maker to enjoy, and which he can legitimately expect to be permitted to continue to do until he has been communicated some rational grounds for withdrawing it. The directions contemplated in SCN based on vague charges would result in depriving the Noticee from doing its business which otherwise has been found legitimate and no reason is visible to do so, in the facts and circumstances of this case.
45. Reference can also be made to the decision of Hon'ble Supreme Court in the matter of ***State of Jharkhand and Others v. Brahmaputra Metalics Ltd., Ranchi and Another***⁹ wherein it was reiterated that claims based on legitimate expectations have been held to acquire reliance on the representations and resulting detriment to the complainant in the same way as claims based on promissory estoppel. Thus, if the activity of the Noticee has been duly recognized and allowed as legal and valid activity it would be detrimental to the Noticee by depriving it from doing the same activity without sufficient cause.

⁸ (1999) 4 SCC 727

⁹ (2020) SCC Online SC 968

46. In view of the above legal position and factual ramifications including contradictions, I find that the case is not fit for enforcement action as initiated. I order accordingly. The Show Cause Notice is disposed of.

47. A copy of this Order shall be sent to the Noticee and SEBI.

Date: September 18, 2025

Place: Mumbai

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by
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Date: 2025.09.18
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Santosh Shukla

Quasi-Judicial Authority

Securities and Exchange Board of India