BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/GR/KG/2022-23/16420-16458]

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

In respect of –

Sl. No.	Noticee's no. in the SCN	Name of the entity
1.	1	Best Healthcare Private Limited. (AADCB1811A)
2.	2	Fern Healthcare Private Limited. (AACCR3509E)
3.	3	Modland Wears Private Limited (AAACM0216F)
4.	5	Escorts Heart Institute and Research Centre Limited (AAACE8731F)
5.	6	Fortis Healthcare Holdings Pvt Ltd (AAACF6715A)
6.	7	RHC Finance Private Limited (AAACW7196C)
7.	8	Shimal Healthcare Private Limited (AADCR9657A)
8.	9	ANR Securities Private Limited (AADCA7654E)
9.	10	Oscar Investments Limited (AAACO1722C)
10.	11	Ligare Aviation Limited (formerly - Religare Aviation Limited) (AAACV3934B)
11.	12	Adept Lifespaces Pvt Ltd (Formerly - Adept Creations Pvt Ltd) (AAACF6715A)
12.	13	Best Cure Pvt Ltd (New Name - Devera Developers Pvt Ltd) (AAACW7196C)
13.	14	Rexcin Finance Private Limited (AADCR9657A)

14.	15	Best Medicines Pvt Ltd (New Name - Best Health Management Private Limited) (AADCA7654E)
15.	16	Artifice Properties Private Limited (AAACO1722C)
16.	17	Ranchem Private Limited (AAACV3934B)
17.	18	Addon Realty Private Limited (CIN No. - U74120DL2008PTC173921)
18.	19	AD Advertising Private Limited (CIN No. - U74120DL2008PTC173921)
19.	20	Rosestar Marketing Private Limited (AAFCR2252M)
20.	21	Torus Buildcon Private Limited (AACCT8158M)
21.	22	Tiger Developers Private Limited (AACCT7439H)
22.	23	Zolton Properties Private Limited (AAACZ2996D)
23.	24	Saubhagya Buildcon Private Limited (AALCS1157L)
24.	25	Lowe Infra and Wellness Private Limited (AABCL4590L)
25.	26	Fortis Global Healthcare Private Ltd (AABCF4146Q)
26.	29	Jasbir Grewal (ABUPS7890M)
27.	31	Anurag Kalra (AHUPP2196B)
28.	32	Anurag Yadav (AACPY7690N)
29.	34	Ashish Bhatia (ABGPB9476J)
30.	35	Daljit Singh (AKLPS6034R)
31.	36	Ritu Garg (AHDPM5930F)
32.	37	Preetinder Singh Joshi (ACPPJ8362F)
33.	38	Sunil Godhwani (AACPG6998F)
34.	39	Ravi Umesh Mehrotra (AADPM4128J)

35.	40	Harpal Singh (ABEPS1662H)
36.	41	Brian William Tempest (DIN No. – 00101235)
37.	42	Pradeep Raniga (DIN No. – 03291083)
38.	43	Lt. Gen. Tejinder Singh Shergill (AHOPS1322E)
39.	44	Mr. Hemant Dhingra (ADPPD0934Q)

In the matter of Fortis Healthcare Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/notice numbers in the SCN and collectively as "the Noticees".)

Background:

1. An article dated February 09, 2018 had appeared on Bloomberg.com which had *inter-alia* mentioned that the promoters of Fortis Healthcare Limited (hereinafter referred to as '**FHL'** or "the **company**") have taken at least Rs.5 billion out of FHL. The said article had also pointed out that Deloitte Haskins & Sells LLP, the Statutory Auditor of FHL had refused to sign off on the company's second quarter results until the funds were accounted for.

2. On the basis of the above mentioned Bloomberg article and further discussion with auditors, an investigation was initiated in the matter of Fortis Healthcare Limited to *inter-alia* examine possible violation of the provisions of the SEBI Act, 1992 and SEBI (PFUTP) Regulations, 2003.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed to act as an Adjudicating Officer under Section 19 of the SEBI Act, read with Sub-section (1) of Section 15 I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules vide Order dated January 07, 2021, conveyed vide communique dated January 19, 2021, to adjudicate upon the violations as alleged in the subsequent paragraphs and if satisfied that the Noticees have become liable to penalty, may impose such penalty, as is found to be fit, in terms of Rule 5 of SEBI Adjudication Rules and the provisions of Section 15HA and 15HB of the SEBI Act, 1992.

FACTS OF THE CASE:

4. Before proceeding with the facts of the case, it would be convenient to understand the abbreviations that are to be used in this order and for that purpose, a list of such abbreviations is tabulated herein below:

Table 1: Abbreviations Used

S. No.	Name of Company	Abbreviation
1	Fortis Healthcare Limited	FHL
2	Fortis Hospitals Limited	FHsL
3	Fortis Healthcare Holdings Private Limited	FHHPL
4	Fortis Global Healthcare Limited	Fortis Global
5	Escorts Heart Institute and Research Centre Limited	EHIRCL
6	ReligareFinvest Limited	RFL
7	RHC Holding Private Limited	RHC / RHC Holding
8	RHC Finance Private Limited	RHC Finance
9	Religare Enterprises Limited	REL
10	Malav Holdings Private Limited	Malav
11	Shivi Holdings Private Limited	Shivi
12	Best Healthcare Private Limited	Best

S. No.	Name of Company	Abbreviation
13	Fern Healthcare Private Limited	Fern
14	Modland Wears Private Limited	Modland
15	Lowe Infra and Wellness Private Limited	Lowe
16	Oscar Investments Limited	Oscar
17	ANR Securities Private Limited	ANR
18	Ranchem Private Limited	Ranchem
19	Artifice Properties Private Limited	Artifice
20	Torus Buildcon Private Limited	Torus
21	Addon Realty Private Limited	Addon / Addon Realty
22	Shimal Healthcare Private Limited	Shimal
23	SaubhagyaBuildcon Private Limited	Saubhagya
24	Adept Lifespaces Private Limited	Adept
25	Ligare Aviation Limited	Ligare
26	Rexcin Finance Private Limited	Rexcin
27	Best Health Management Private Limited	BHMPL
28	AD Advertising Private Limited	AD Advertising
29	Rosestar Marketing Private Limited	Rosestar
30	Tiger Developers Private Limited	Tiger
31	Best Cure Private Limited	Best Cure
32	Zolton Properties Private Limited	Zolton
33	Mr. Malvinder Mohan Singh	MMS / Malvinder
34	Mr. Shivinder Mohan Singh	SMS / Shivinder
35	Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh	Singh Brothers / promoters
36	Best/Fern/Modland	Borrower companies / entities

5. Pursuant to an article published in the media, in February 2018, SEBI had initiated investigation into the matter of grant of Inter-Corporate Deposits (hereinafter also referred to as **"ICDs"**) to three borrower companies viz, Best Healthcare Private Limited., ("**Best**"), Fern Healthcare Private Limited., ("**Fern**") and Modland Wears Private Limited., ("**Modland**") during the period from FY 2011-2012 till 2017-2018.

6. In order to find the ultimate utilization of funds of FHL, the entire transactions in the bank accounts of the 3 borrower companies and the promoter/ promoter connected entities were required to be examined in detail from FY 2011-12 to FY 2017-18. This required

analysis of voluminous data in trailing of funds in the bank statements of the FHL, FHsL, the 3 borrower companies, promoter/ promoter connected entities and any other entity that had significant financial transactions with these entities along with the analysis of nature of transactions and underlying documents. Hence, SEBI appointed a Forensic Auditor [MSA Probe Consulting Pvt. Ltd. (**"MSA"**)] on May 10, 2018 to examine the alleged diversion of funds from FHL / its subsidiaries for the benefit of promoter / promoter connected entities. Accordingly, MSA submitted its report in the matter of FHL on August 16, 2018 to SEBI (a copy of the report along with the annexure thereto was provided with the Show cause notice dated April 9, 2021 issued in the present proceedings). To understand the end use of the ICDs and the true nature of the transactions, the said report segregated the transactions and gave its findings under the heads mentioned below:

(A) ICDs issued in December 2011 for the transfer of Land to RHC Holding.

(B) Short term Loans given by FHsL to borrowers from time to time for the benefit of Promoters.

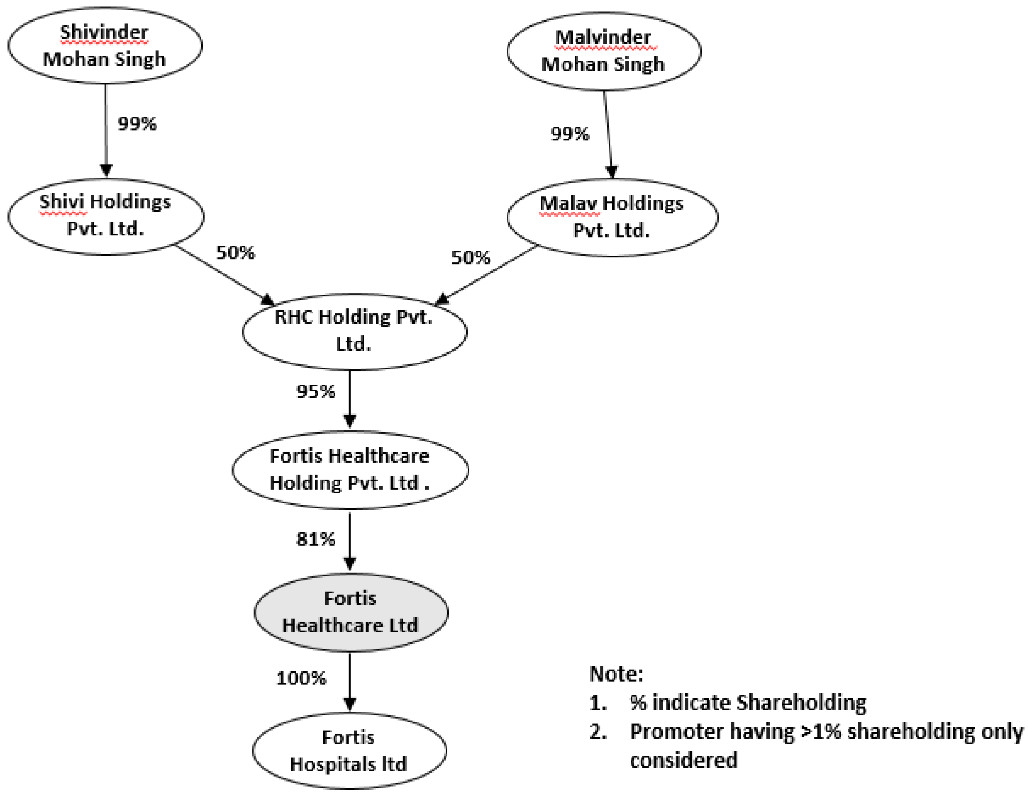
(C) Ultimate utilization by Promoter Entities of ICDs which are outstanding till date.

(D) Misrepresentation in Financial Statements through Structured Movement of ICDs.

7. The findings of the investigation undertaken by SEBI are provided in the subsequent paragraphs in this order.

8. The ownership Structure of FHL during the beginning of Investigation Period (i.e. during March 31, 2011) is shown below for easy reference:

Chart 1 – Ownership Structure of FHL



9. It was observed from the shareholding pattern of FHL that majority shareholder in the promoter group of FHL was Fortis Healthcare Holdings Pvt Ltd ('**FHHPL**') and amongst other promoters were Shivinder Mohan Singh, Malvinder Mohan Singh, RHC. Further, FHHPL was controlled by RHC, which was in turn entirely held by Shivinder Mohan Singh, and Malvinder Mohan Singh through Shivi Holdings Private Limited and Malav Holdings Private Limited respectively. Thus, Shivinder Mohan Singh, and Malvinder Mohan Singh, through entities controlled by them, were the controlling shareholders and promoters of FHL. (detailed shareholding pattern of FHL for the entire period of investigation was provided with the SCN dated April 9, 2021). Also, Fortis Health Management North Limited ('**FHMNL**') (till its merger with FHsL in 2013) and FHsL were wholly owned subsidiaries of FHL during the Investigation Period (i.e. between April 01, 2011 toMarch 31, 2018).

10. **Funding from FHL to FHsL:**From the FAR and information collected during the course of investigation, it was observed that during 2011 to 2017, funds were moved out from FHL through FHsL. In this regard, information was obtained from FHL in reference to the financing facility between FHL and FHsL. Based on the reply obtained from FHL, the following was observed:

    i. The Board of Directors of FHL in their meeting held on April 14, 2011 had given their approval for making loans to and / or give guarantee / provide any security in connection with loans so made or investments, by way of subscription, purchase or otherwise, in the securities of, any one or more of the FHL's subsidiaries, for an amount not exceeding Rs. 2,000 crore.

    ii. Thereafter, FHMNL and FHL entered into a MoU on June 01, 2011 by which FHL agreed to lend a sum of Rs. 20 crore to FHMNL in the form of ICDs at 10% interest p.a.

    iii. On November 15, 2011, FHMNL and FHL signed an Addendum to the aforementioned MoU by which the aforementioned ICD amount was increased from Rs. 20 crore to Rs. 600 crore. The rate of interest of this ICD was 13% p.a.

11. From the above, it was observed that during November 2011, FHMNL had arranged an amount of Rs. 600 crore from its parent company FHL. These funds were further lent / invested by FHMNL and thereafter FHsL (post merger with FHMNL) to various other entities. The same is discussed in the subsequent paragraphs.

12. **Findings of the investigation**:-During the investigation, a detailed analysis of ledger accounts of Best, Fern and Modland in the books of FHMNL / FHsL along with the analysis of the bank account statements of Best, Fern, Modland, FHsL and other entities was carried out. The transactions appearing in the ledger accounts of Best, Fern and Modland were verified with respective bank statements (the complete ledger account statements of Best, Fern and

Modland in the books of FHMNL/FHsL and the extracts thereof for the FY 2011-12 to FY 2017-18 have already been provided with the SCN). Accordingly, transactions were classified into five categories:

i. **Initial Loan Transactions and their repayments**.

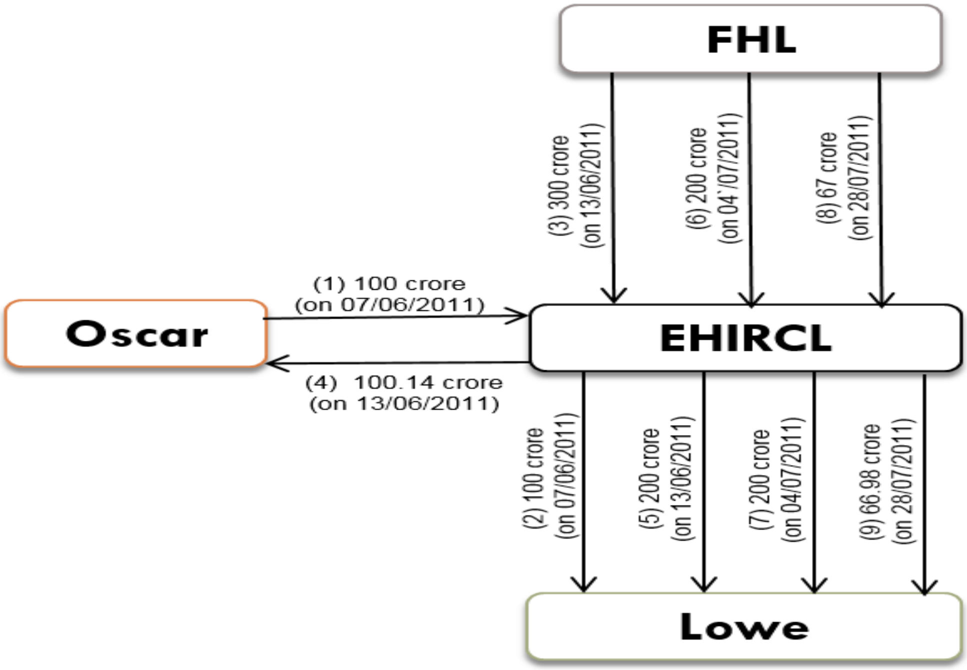
1. These include initial ICDs granted by FHMNL to Best, Fern and Modland on December 28, 2011 and its subsequent repayments. FHMNL (subsequently merged into FHsL) issued ICDs to Best, Fern and Modland for the first time during December, 2011. In this regard, it was observed from the FAR that the said ICDs were linked to a land deal made by a subsidiary of FHL (i.e. Escorts Heart Institute and Research Centre Limited, hereinafter referred to as '**EHIRCL**'). The details of the land deal are explained hereunder:

   a. A parcel of land situated at Golf Course Extn Road, Sector 62, Gurgaon was purchased by EHIRCL during May 2011.In this regard, The Board of Directors of FHL, in their meeting held on April 24, 2011 passed a resolution for making loans to and / or give guarantee / provide any security in connection with loans so made or investments, by way of subscription, purchase or otherwise, in the securities of, any one or more of the FHL's subsidiaries, for an amount not exceeding Rs. 2,000 Crore. Subsequent to required board resolutions, Rs. 567 crores were given by FHL to EHIRCL during the period June 07, 2011 to July 28, 2011, which were subsequently transferred by EHIRCL to Lowe Infra and Wellness Private Limited('**Lowe**') {which used the funds for purchasing the land from M3M}, in the following manner:

Table 2A: Flow of funds relating to purchase of Land

Date	Transferred From	Transferred To	Amount (in Rs.)
07/06/2011	Oscar Investments Limited	EHIRCL	100,00,00,000
07/06/2011	EHIRCL	Lowe	100,00,00,000
13/06/2011	FHL	EHIRCL	300,00,00,000
13/06/2011	EHIRCL	Oscar Investments Limited	100,13,68,493
13/06/2011	EHIRCL	Lowe	200,00,00,000
04/07/2011	FHL	EHIRCL	200,00,00,000
04/07/2011	EHIRCL	Lowe	200,00,00,000
28/07/2011	FHL	EHIRCL	67,00,00,000
28/07/2011	EHIRCL	Lowe	66,98,00,000

Chart 2 – Flow of funds from FHL to Lowe during Land Deal



b. As can be seen from the above transactions, EHIRCL had transferred approx. Rs. 567 crore (that it had received from FHL) to Lowe in multiple transactions.

c. The Board of Directors of EHIRCL, in their meeting held on December 13, 2011 decided to cancel the collaboration agreement with Lowe (entered for the purpose of acquiring land) and call back the amount of Rs. 567 crore (along with interest @14%) that EHIRCL had given to Lowe.

d. Thereafter, RHC Holding decided to take over Lowe and hence, the land was also acquired by RHC Holdings. Since RHC Holding took over Lowe in December 2011, an amount of Rs. 603 crore (approx.) was transferred by RHC to Lowe on December 28, 2011 which was used by Lowe to repay EHIRCL.

e. However, on analyzing the bank account statement of RHC Holding, Lowe, FHL, FHMNL and various other entities, a lot of high value fund movements were observed during December 28, 2011. It was also observed that during the same time, FHMNL decided to issue ICDs to the tune of Rs. 576 crore to three entities (viz. Best, Fern and Modland) and funds were transferred by FHMNL to Best, Fern and Modland on December 28, 2011.

2. Hence, the bank account statements of aforementioned entities were analysed for December 28, 2011 to ascertain the actual movement of funds. However, on analyzing the bank account statement of other entities, it was observed that on December 28, 2011, EHIRCL / FHL effectively did not receive any funds. Rather a complex mirage of transactions by way of ICDs issued by FHMNL to Best, Fern and Modland were used to show that Lowe had paid back its loan to EHIRCL. In this regard, the series of bank account transfers that took place on December 28, 2011 has been explained below:

   a. **Rotational movement of funds through Modland** - Initially, RHC Holding transferred Rs.200 crore to FHHPL. Thereafter, FHHPL transferred the same amount to Lowe and Lowe transferred the same amount to EHIRCL (*indicating repayment of loan*). EHIRCL, in turn transferred the same amount to FHL which transferred further to FHMNL. Then, FHMNL transferred the same amount to Modland (*indicating issue of ICD*) and Modland transferred the same amount to RHC Holding through various entities, thereby completing the 1st circle of movement of money from RHC Holding back to RHC Holding.

   b. **Rotational movement of funds through Best** -Thereafter, RHC Holding transferred Rs. 200 crore to RHC Finance which transferred it to Lowe and Lowe transferred the same amount to EHIRCL (*indicating repayment of loan*). EHIRCL transferred Rs.176 crore to FHL which further transferred the same to FHMNL. Thereafter, FHMNL transferred

Rs.176 crore to Best (*indicating issue of ICD*). Additionally, EHIRCL transferred the remaining Rs.24 crore to Best. Thereafter, Best transferred Rs.105 crore to Ranchem and Rs.95 crore to ANR. Ranchem and ANR transferred the said amounts of Rs.105 crore and Rs.95 crore respectively to RHC, thereby completing the 2nd circle of movement of money from RHC Holding to RHC Holding.

c. **Rotational movement of funds through Fern -** Thereafter, RHC Holding transferred Rs.83.50 crore each to FHHPL and RHC Finance Private Limited which were subsequently transferred by both entities to Lowe. Additionally, RHC Holding also transferred Rs. 36.50 crore to Adept Lifespaces Private Limited which were further transferred by Adept Lifespaces Private Limited to Lowe. Hence, Lowe in total got Rs. 203.5 crore in this round, which it then transferred Rs.203.45 crore to EHIRCL (*indicating repayment of loan*). EHIRCL, transferred Rs. 203.30 crore to FHL and FHL transferred Rs.200 crore to FHMNL. Then, FHMNL transferred Rs.200 crore to Fern (*indicating issue of ICD*). Thereafter, Fern transferred Rs.95.1 crore to ANR Securities Private Limited which were further transferred by ANR Securities Private Limited to RHC. Fern transferred the remaining Rs. 104.90 crore to RHC Holding directly, thereby completing the 3rd circle of movement of money from RHC Holding back to RHC Holding.

3. As can be seen from above, it was observed that no actual payments were received / made between the aforementioned entities on December 28, 2011 as funds were rotated circularly between various entities to show that Lowe had paid back the loan amount to EHIRCL. Whereas in actual, no payment was received by EHIRCL, instead the creditor in the form of Lowe in the books of account of EHIRCL got changed to Best, Fern and Modland in the books of account of FHMNL.

4. As a result, RHC Holding became the actual beneficiary of the aforementioned movement of funds as it got the land (by taking over Lowe) without having to pay any amount in respect of the same. However, from the ledger account statements of Best, Fern and Modland, it was observed that these entities had paid back the ICD amount to FHsL (post merger with FHMNL) during September 2013 to July 2015 and RHC Holding had provided funds to said entities to repay to FHsL.

5. Details of flow of funds from FHMNNL to RHC (through Best, Fern and Modland) on December 28, 2011 and the subsequent repayments of the same (along with the fund movements) is given below:

Outflow of funds from FHMNL

Table 3: Flow of funds from FHMNL to RHC Holding on December 28, 2011

28/12/2011	FHMNL FHIRCL	→	Best	→	Ranchem	→	RHC
				→	ANR		RHC
	FHMNL	→	Fern	→	ANR	→	RHC
				→			RHC
	FHMNL	→	Modland	→	Ranchem	→	RHC

Inflow of funds to FHMNL / FHsL

Table 4: Flow of funds from RHC Holding to FHMNL / FHsL during December 2011 to July 2015

30/12/2011	FHMNL 10,00,00,000	←	Best 10,00,00,000	←	RHC 10,00,00,000

01/11/2013	FHsL 85,00,00,000	←	Modland 10,00,00,000	←	Rexcin 10,00,00,000	←	Ranchem 38,00,00,000	←	RHC 85,00,00,000
			Best 8,00,00,000	←					

			Fern 20,00,00,000	←					
			Fern 30,00,00,000	←	Fortis Global 30,00,00,000	←			
			Fern 5,00,00,000	←	Fortis Global 5,00,00,000	←	ANR 17,00,00,000	←	
			Modland 2,00,00,000	←	BHMPL 2,00,00,000	←			
			Best 10,00,00,000	←					

31/12/2013	FHsL 100,00,00,000	←	Modland 100,00,00,000	←	Ranchem 100,00,00,000	←	RHC 100,00,00,000

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280,00,00,000</td><td rowspan="6">←</td><td rowspan="3">Malvinder
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20,00,00,000</td></tr>
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30/04/2015	FHsL 20,20,02,188	←	Best 20,20,00,000	←	Saubhagya 20,20,00,000	←	Modland 20,25,00,000	←	Ranchem 20,25,00,000	←	RHC 20,25,00,000

29/05/2015	FHsL 20,40,04,385	←	Best 100,00,00,000	←	ANR 100,00,00,000	←	RHC 100,00,00,000

01/07/2015	FHsL 20,62,82,742	←	Best 22,10,00,000	←	Ranchem 22,10,00,000	←	RHC 22,10,00,000

31/07/2015	FHsL 6,06,69,701	←	Best 20,25,00,000	←	Ranchem 20,25,00,000	←	RHC 20,25,00,000

6. From the above, it was observed that Rs.576 crore was transferred from FHMNL to RHC Holding (through Best, Fern and Modland) on December 28, 2011. FHMNL, in its books of accounts showed this amount as ICD to the 3 borrower companies and as per the terms of the said ICDs, these ICDs were to be repaid by the 3 borrower companies to FHMNL by March 30, 2012. However, the repayments of said amounts was made by the 3 entities from the period December 30, 2011 to July 31, 2015 and such repayments were made through RHC Holding. Hence, it was observed that RHC Holding utilized this money (Rs. 576 crore approx.) for more than 3 years and no such disclosure was made by FHL in its financial statements during the concerned FYs.

7. From the above mentioned analysis and pattern of flow of funds, it is alleged that the same was carried out to falsely portray that RHC Holding had paid the consideration money of Rs.600 crores in three tranches to Lowe / FHL for the land on 28/12/2011. However, in reality, no consideration was paid by RHC Holding.

8. Although, RHC Holding was observed to have subsequently repaid Rs.600 crores to FHL through FHsL with 14% interest per annum, the said repayment was over a period of four years and was completed by July 31, 2015. Thus, though RHC Holding ultimately paid the consideration for land, it was after a period of more than 3 years. In other words, ICDs/loans that FHL provided to Best, Fern and Modland through FHMNL / FHsL was actually utilized by RHC Holding for a period of 3-4 years, without any such disclosure made by FHL in its consolidated financial statements during the concerned FYs.

ii. **Subsequent Short Term Loans / ICDs.**

1. These include several short term ICDs that were given by FHMNL / FHsL to Best, Fern and Modland during the period December 2012 to March 2016.

Subsequent to the initial loans / ICDs during December 2011, it was observed that FHMNL and post-merger, FHsL had granted several other short term ICDs / loans to Best, Fern and Modland during the period December 2012 to March 2016. It was also observed that the funds for granting such short term ICDs / loans to the 3 borrower companies, were received by FHMNL/FHsL from FHL only. A summary of these short term loans and their repayments as appearing in ledger account of Best, Fern and Modland is reproduced in Table below:

Table 5Extract of Ledger of Short term ICDs to Best

Instances	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	26/12/2012	BEING AMOUNT PAID TO BEST	100,00,00,000		266,00,00,000
1	31/12/2012	REPAYMENT OF LOAN FRO BEST		100,00,00,000	166,00,00,000
2	26/07/2013	BEING AMOUNT TRANSFER TO BEST	75,00,00,000		241,00,00,000
2	29/07/2013	BEING AMOUNT RECD FROM BEST		75,00,00,000	166,00,00,000
3	20/08/2013	BEING AMOUNT TRANSFER TO BEST	75,00,00,000		241,00,00,000
3	30/08/2013	BEING AMOUNT RECD FROM BEST		75,00,00,000	166,00,00,000
4	16/09/2013	BEING AMOUNT TRANSFER TO BEST	60,00,00,000		226,00,00,000
4	23/09/2013	BEING AMOUNT RECD FROM BEST		60,00,00,000	166,00,00,000
5	21/11/2013	BEING AMOUNT TRASNFER TO BEST	100,00,00,000		248,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM BEST		100,00,00,000	148,00,00,000
6	18/12/2013	BEING AMOUNT TRANSFER TO BEST	100,00,00,000		248,00,00,000
6	23/12/2013	BEING AMOUNT RECD FROM BEST		100,00,00,000	148,00,00,000
8	24/09/2014	BEING AMOUNT TRANSFER TO BEST	100,00,00,000		166,00,00,000
8	26/09/2014	BEING AMOUNT RECD FROM BEST		100,00,00,000	66,00,00,000
11	16/09/2015	BEING FUND TRNASFER TO BEST	200,00,00,000		200,00,00,000
11	30/09/2015	BEING FUND RECD FROM BEST		50,00,00,000	150,00,00,000
11	30/09/2015	BEING CHQ. NO. 327330 DT. 30.09.15 RECD FROM BEST HEALTHCARE		150,00,00,000	0
12	26/11/2015	FUND TRANSFER TO BEST	200,00,00,000		200,00,00,000
12	30/12/2015	BEING FUND RECD FROM BEST		200,00,00,000	0

Instances	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
13	01/01/2016	FUND TRANSFER TO BEST	200,00,00,000		200,00,00,000
13	29/01/2016	FUND TRANSFER TO BEST	100,00,00,000		300,00,00,000
13	15/03/2016	FUND RECD FROM BEST		80,00,00,000	220,00,00,000
13	30/03/2016	FUND RECD FROM BEST		145,00,00,000	75,00,00,000
13	31/03/2016	FUND RECD FROM BEST		75,00,00,000	0

Table6 Extract of Ledger of Short term ICDs to Fern

	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	26/12/2012	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		300,00,00,000
1	29/01/2013	BEING AMOUNT RECIEVED FROM FERN		100,00,00,000	200,00,00,000
2	26/07/2013	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		300,00,00,000
2	29/07/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	200,00,00,000
3	20/08/2013	BEING AMOUNT TRANSFER TO FERN	80,00,00,000		280,00,00,000
3	22/08/2013	BEING AMOUNT RECD FROM FERN		25,00,00,000	255,00,00,000
3	30/08/2013	BEING AMOUNT RECD FROM FERN		55,00,00,000	200,00,00,000
4	16/09/2013	BEING AMOUNT TRANSFER TO FERN	65,00,00,000		265,00,00,000
4	23/09/2013	BEING AMOUNT RECD FROM FERN		65,00,00,000	200,00,00,000
5	21/11/2013	BEING AMOUNT TRASNFER TO FERN	100,00,00,000		245,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	145,00,00,000
6	18/12/2013	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		245,00,00,000
6	23/12/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	145,00,00,000
7	05/08/2014	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		100,00,00,000
7	08/08/2014	BEING AMOUNT RECD FROM FERN		100,00,00,000	0
8	24/09/2014	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		100,00,00,000
8	07/10/2014	BEING AMOUNT RECD FROM FERN		100,00,00,000	0
9	25/11/2014	BEING AMOUNT TRANSFER TO FERN	250,00,00,000		250,00,00,000
9	28/11/2014	BEING AMOUNT RECD FROM FERN		250,00,00,000	0
11	16/09/2015	BEING FUND TRNASFER TO FERN	50,00,00,000		50,00,00,000

	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
11	30/09/2015	BEING FUND RECD FROM FERN		50,00,00,000	0
12	26/11/2015	FUND TRANSFER TO FERN	100,00,00,000		100,00,00,000
12	30/12/2015	BEING FUND RECD FROM FERN		100,00,00,000	0
13	01/01/2016	FUND TRANSFER TO FERN T/W LOAN	100,00,00,000		100,00,00,000
13	15/03/2016	FUND TRANSFER TO FERN T/W LOAN	80,00,00,000		180,00,00,000
13	30/03/2016	FUND RECD FROM FERN T/W LOAN		130,00,00,000	50,00,00,000
13	31/03/2016	FUND RECD FROM FERN T/W LOAN		25,00,00,000	25,00,00,000
13	31/03/2016	FUND RECD FROM BEST HELATHCARE		25,00,00,000	0

Table 7 Extract of Ledger of Short term ICDs to Modland

	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
5	21/11/2013	BEING AMOUNT TRASNFER TO MODLAND	100,00,00,000		288,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM MODLAND		100,00,00,000	188,00,00,000
7	05/08/2014	BEING AMOUNT TRANSFER TO MODLAND	100,00,00,000		100,00,00,000
7	07/08/2014	BEING AMOUNT TRANSFER TO MODLAND	50,00,00,000		150,00,00,000
7	08/08/2014	BEING AMOUNT RECD FROM MODLAND		150,00,00,000	0
9	25/11/2014	BEING AMOUNT TRANSFER TO MODLAND	250,00,00,000		250,00,00,000
9	28/11/2014	BEING AMOUNT RECD FROM MODLAND		250,00,00,000	0
10	04/02/2015	MODLAND WARE PVT. LTD. T/W LOAN	50,00,00,000		50,00,00,000
10	31/03/2015	MODLAND WARE PVT. LTD. T/W LOAN		40,00,00,000	10,00,00,000
10	31/03/2015	MODLAND WARE PVT. LTD. T/W LOAN		10,00,00,000	0
	10/02/2016	FUND TRANSFER TO MOODLAND	125,00,00,000		125,00,00,000
	11/02/2016	FUND RECD FROM MODLAND		125,00,00,000	0

2. The bank statements of Best, Fern and Modland were analyzed to check the actual movement of funds that were provided by FHsL to Best, Fern and Modland by way of grant of loans/ICDs. The movement of funds from FHMNL/FHsL to Best, Fern and Modland and the corresponding repayment

entries (as appearing in the bank statements) for each of the short term ICD by FHMNL/FHsL during December 2012 to March 2016 (copies provided to the Noticees along with the SCN dated April 9, 2021) were analysed and the following were observed:

a. The short term loans were given by FHMNL / FHsL to Best, Fern and Modland at various instances during the period December 2012 to September 2015.

b. Thereafter, the aforementioned funds were further transferred from Best, Fern, Modland to RHC on same date, through various entities.

c. RHC Holding utilized the said funds (indirectly received from FHsL) for certain period ranging from 2 days to 34 days and thereafter, returned the funds to Best, Fern and Modland, through various entities, which were then ultimately transferred by Best, Fern and Modland to FHMNL / FHsL.

d. The entities that were used to transfer the funds between RHC and Best, Fern, Modland were Saubhagya Buildcon Private Limited, Artifice Properties Private Limited, Best Cure Private Limited, Ranchem Private Limited, ANR Securities Private Limited, AD Advertising Private Limitedand Rexcin Finance Private Limited.

3. In view of above, it is alleged that funds were repeatedly moved out of FHMNL / FHsL at different occasions for a short period of time, through borrower entities (Best, Fern and Modland) for the ultimate utilization by the promoter entity of FHL (i.e. RHC Holding). Instead of giving loans directly to the company (i.e. RHC Holding) owned by promoters of FHL, funds were routed by way of loans to the 3 borrower companies i.e. Best, Fern and Modland. The same were also allegedly not disclosed in the consolidated financial statements of FHL during the relevant FYs.

4. Apart from the aforementioned, there were other instances also during which the loans were given by FHsL to Best, Fern and Modland for ultimate benefit of connected entities of promoters of FHL (i.e. RHC Holding). However, in such instances repayment of such loans were initiated through another promoter related entity (i.e. RFL), instead of RHC Holding (details annexed to the SCN dated April 9, 2021).A summary of such fund movements out from FHsL and received by FHsL during the period November 26, 2015 to April 04, 2016), is given in table below:

Table 8: Summary of funds movements

Date	Amount of funds moved out from FHsL (approx.)	Name of Ultimate Beneficiary of funds	Amount of funds received by FHsL as repayment (approx.)	Name of entity through whom repayment made
26/11/2015	Rs. 300 crore	RHC		
30/12/2015			Rs. 300 crore	RFL
01/01/2016	Rs. 200 crore	RFL		
05/01/2016	Rs. 100 crore	RFL		
29/01/2016	Rs. 100 crore	RFL		
15/03/2016	Rs. 80 crore	RHC		
15/03/2016			Rs. 80 crore	RHC
30/03/2016			Rs. 275 crore	RHC
31/03/2016			Rs. 25 crore	RHC
04/04/2016			Rs. 100 crore	FHsL

5. From the above table, it was observed that out of a total loan / ICD amount of Rs.780 crore (approx.) that FHsL had granted to Best and Fern during November 26, 2015 to March 31, 2016, RHC Holding was the beneficiary of Rs.380 crore (approx.) while Rs. 400 crore (approx.) were observed to have been routed to RFL. Further, in terms of repayment of the aforementioned amounts, it was observed that RHC Holding initiated the repayment for Rs. 380 crore (approx.) while the repayment for Rs.300 crore (approx.) was through RFL during the aforementioned period. As regards the remaining Rs.100 crore (approx.), repayment for the same was initiated by FHsL itself by issuing an ICD to Modland on April 04, 2016.

6. It was observed that ICD dated April 04, 2016 from FHsL to Modland was returned to FHsL on the same date routing through various entities (including Best and Fern). Through such rotation of funds, it was portrayed that the ICD amount of Rs. 100 crore that FHsL had issued to Best on January 29, 2016, was repaid by Best on April 04, 2016. However, as mentioned above, it was seen that such repayment was arranged by FHsL itself by issuing another ICD of Rs. 100 crore to Modland on April 04, 2016. A reference of this ICD dated April 04, 2016 to Modland is also made in the SCN.

7. Thus, considering the above pattern of fund transactions, it was observed that RHC Holding repaid the entire amount that it had indirectly received from FHsL during the period November 26, 2015 to March 31, 2016 whereas RFL repaid only Rs. 300 crore out of a total of Rs. 400 crore that it had received indirectly from FHsL during the aforementioned period. In this regard, from the analysis of ledger accounts and bank statements, it was observed that the said Rs.100 crore (approx.) pertain to the amount (Rs.100 crore) that was transferred by FHsL to Best on January 29, 2016 (discussed at annexure 6A to the SCN).

8. It was observed that RFL was a subsidiary company of REL (another listed company) which was also under the ownership and control of the promoters of FHL and FHsL. Thus, it was examined whether the aforementioned Rs. 100 crore (that were routed from FHsL to RFL through various entities) were possibly further diverted to other promoter connected entities including RHC Holding.

9. With reference to the said Rs.100 crore that were routed from FHsL to RFL through various entities on January 29, 2016 (as mentioned above), the bank account statements and the ledger accounts of last leg of entities from which the money was transferred to RFL (i.e. Best, Fern, Tiger Developers Private Limited,Zolton Properties Private Limited), was analysed. From the

analysis, it was observed that Rs. 100 crore that were transferred by these four entities to RFL on January 29, 2016 were repayment of principal amount / interest amount of earlier loans / ICDs that these four entities had taken from RFL on 30/12/2015, 28/10/2015,25/08/2015 & 13/07/2015 respectively. Further, on checking the bank account statements of these four entities for the period when they had taken such loans from RFL, it was observed that the amount of funds that they received from RFL was further diverted to RHC Holding through various entities. The detailed flow of the same are as follows: -

Fund movement of the loan taken by Best from RFL

30/12/2015	RFL 100,00,00,000	→	Best 100,00,00,000	→	Torus 100,00,00,000	→	ANR 100,00,00,000	→	RHC 196,10,00,000

Fund movement of the loan taken by Fern from RFL

28/10/2015	RFL 80,00,00,000	→	Fern 80,00,00,000	→	Tiger 1,08,00,000	→			RFL 97,39,110
					Saubhagya 78,40,00,000	→			RFL 3,62,46,575
						→	ANR 74,37,50,000	→	RHC 74,40,00,000

Fund movement of the loan taken by Tiger from RFL

25/08/2015	RFL 76,25,00,000	→	Tiger 76,25,00,000	→	Fern 66,25,00,000	→	Saubhagya 66,25,00,000	→	Modland 66,25,00,000	→	Torus	→	ANR	→	RHC 36,25,00,000

Fund movement of the loan taken by Zolton from RFL

13/07/2015	RFL 70,00,00,000	→	Zolton 70,00,00,000	→	Modland 70,00,00,000	→	Saubhagya 70,82,50,000	→	ANR 75,57,50,000	→	RHC 142,27,50,000

10. Thus, as analysed above, during December 2012 to March 2016, FHMNL / FHsL gave numerous short term loans / ICDs to Best, Fern and Modland, which were further transferred to RHC Holding through a complex layer of various entities. RHC Holding utilized the money for certain days and

thereafter, the funds were transferred back to FHsL by the aforementioned three entities wherein such repayment was arranged by RHC Holding only. Hence, instead of transferring funds directly to RHC Holding, FHsL managed to benefit its promoter company by transferring funds indirectly through various entities and in the process, FHL and FHsL circumvented the provisions of related party transactions as applicable in the case of a listed company i.e, FHL.

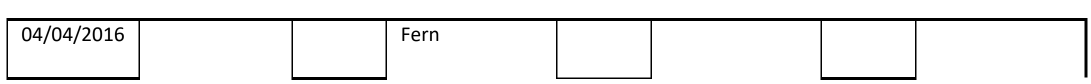
11. Out of various instances during the period December 2012 to March 2016, there was one instance (i.e. on January 29, 2016), when Rs.100 crore was moved out from FHsL (through Best), wherein the repayment of the said loan was through FHsL itself. The ultimate beneficiary of the said amount of Rs. 100 crore was RHC Holding. Hence, it is alleged that Rs.100 crore were diverted from FHsL to RHC Holding which ultimately benefitted MMS and SMS, who jointly controlled RHC Holding through Malav Holding Pvt. Ltd. and Shivi Holding Pvt. Ltd.

iii. **Diversion of Loans / ICDs:**

1. These pertain to transactions that led to diversion of the funds from FHsL to promoter entities through Best, Fern and Modland. It was observed that during December 2012 to December 2015, FHsL gave several short term loans / ICDs to Best, Fern and Modland for the ultimate benefit of RHC Holding and the repayment of such loans were regular during the aforementioned period. However, after December 2015, FHsL was observed to have granted certain loans / ICDs again to Best, Fern and Modland for which the repayment was not received. The details of aforesaid funds are as follows:

a. Instance 1 – Funds Transfer from FHsL to Fern on April 04, 2016

Flow of funds from FHsL to RHC through Fern during April 2016



	FHsL 175,00,00,000	→	75,00,00,000	→	ANR 175,00,00,000	→	RHC 175,00,00,000
			Fern 100,00,00,000	→			

From the above, it was observed that FHsL gave a loan of Rs.175 crore to Fern on April 04, 2016. Thereafter, Fern transferred Rs.175 crore to ANR Securities Private Limited and ANR Securities Private Limited transferred the same amount to RHC Holding on the same day. It was also observed that after receiving Rs.175 crore from ANR Securities Private Limited, RHC Holding transferred Rs. 200.40 crore to HDFC Ltd on April 04, 2016. From the bank account statement of RHC Holding and the reply received from HDFC, it was observed that RHC Holding utilized this Rs.175 crore in payment of its loan of Rs.200 crore that it had taken from HDFC. Further, from the ledger account of Fern in the books of FHsL, it was observed that FHsL received these Rs.175 crore from Fern on June 30, 2016. However, on analysis of bank account statement of FHsL and Fern, it was observed that the aforementioned payment by Fern was not a genuine payment and it was merely a “book entry’ in the form of circular flow of transactions between FHsL and Fern to show that money had been received back whereas FHsL hasn’t received any actual money from Fern on that date. The details of the same were given at para no. 10.3.4 of the SCN.

b. Instance 2 – Funds Transfer from FHsL to Modland on April 04, 2016

Flow of funds from FHsL to RHC through Modland during April 2016

04/04/2016	FHsL 100,00,00,000	→	Modland 100,00,00,000	→	Torus 100,00,00,000	→	Addon Realty 132,65,00,000	→	RFL 125,00,00,000

From the above, it was observed that on receiving the amount from Torus Buildcon Private Limited, Addon Realty Private Limited transferred Rs.125 crore to RFL on the same day. It was observed that the last leg from which RFL received the money was Addon Realty Private Limited. The ledger account of Addon Realty Private Limited in the books of RFL were analysed and based on submissions of RFL in this regard, it was observed that Addon Realty Private Limited had transferred Rs.125 crore to RFL as part of repayment of earlier loan of Rs.156 crore taken from RFL. Thus, the utilization of loan taken by Addon Realty Private Limited from RFL was also analyzed. The utilization of the said are as follows:

Flow of funds from Addon Realty Private Ltd.after it received funds from RFL

27/03/2014	RFL 156,00,00,000	→	Addon Realty 156,00,00,000	→	Fern 93,09,80,322	→	Ligare Aviation 78,19,85,794	→	Oscar 78,19,52,137	→	Ranchem 112,50,00,000	→	RHC 225,00,00,000
								→			Ranchem 100,00,00,000		

From the above, it was observed that Addon Realty Private Ltd. had transferred Rs.93.09 crore to Fern which were subsequently transferred to RHC Holding through various entities (viz. Ligare Aviation Limited, Oscar Investments Limited, Ranchem Private Limited). All these fund transfers were observed to have happened on the same date i.e. March 27, 2014 and after receiving Rs.225 crore from Ranchem Private Limited, RHC Holding transferred Rs.200 crore to RHC Holding Commercial Paper Account on March 27, 2014 from where the money was further transferred to IDBI Liquid Fund (Rs. 100 crore), Peerless Mutual Fund (Rs. 50 crore) and JM Financial Mutual Fund (Rs. 50 crore) on March 27, 2014, which was for RHC's own purpose and benefit. Further, as already mentionedAddon Realty Private Limited had used the funds indirectly received from FHsL (Rs.100 crore) on April 04, 2016 to make the part repayment of the aforementioned loan amount that it had taken from RFL. Therefore, RHC Holding was observed to be the ultimate beneficiary of Rs.93.09 crore (approx.) as money received by Addon Realty Private Ltdfrom RFL during March 27, 2014 were ultimately transferred to RHC Holding and Addon Realty Private Ltdhad used the funds received by FHsL to make part repayment of this loan during April 04, 2016. Thus, it was observed that out of Rs.100 crore that moved out from FHsL on April 04, 2016 (through Modland, Torus Buildcon Private Limitedand Addon Realty Private Ltd, Rs.93.09 crore (approx.) crore were diverted to RHC Holding.

c. Instance 3 – Funds Transfer from FHsL to Modland on April 04, 2016

Flow of funds from FHsL to RHC through Modland during April 2016

04/04/2016	FHsL 100,00,00,000	→	Modland 100,00,00,000	→	Torus 100,00,00,000	→	Best 75,00,00,000	→	FHsL 75,00,00,000
						→	Fern 25,00,00,000	→	FHsL 25,00,00,000

From the above table, it was observed that the amount of Rs.100 crores, was used to settle the earlier ICD amount that FHsL issued to Best & Fern on January 29, 2016. It was also noted in the earlier paras that the ultimate beneficiary of the amount of Rs.100 crore that went out from FHsL to Best on January 29, 2016, was RHC Holding. Hence, it is alleged that Rs.100 crore were diverted from FHsL to RHC Holding.

d. Instance 4 – Funds Transfer from FHsL to Best on May 20, 2016

Flow of funds from FHsL to RHC through Best during May 2016

20/05/2016	FHsL 98,00,00,000	→	Best 98,00,00,000	→	Torus 98,00,00,000	→	Ranchem 98,00,00,000	→	RHC 98,00,00,000

From the above table, it was observed that the said amount of Rs. 98 crores had been ultimately transferred to RHC Holding and RHC Holding had utilized this money for paying offIndiabulls Mutual Fund on the same day. Further, from the ledger account of Best in the books of FHsL, it was observed that FHsL received these Rs. 98 crores from Fern on June 30, 2016. However, on analysis of bank account statement of FHsL and Best, it was observed that the aforementioned payment by Best was not a genuine payment and it was merely a circular flow of transactions between FHsL and Fern to show that money had been received back whereas FHsL hasn't received any actual money from Fern on that date. The details of the same are being given at para no 10.3.4 of the SCN. Thus, it was observed that Rs. 98 crore was diverted from FHsL to RHC Holding, which utilized such funds for its own purpose.

2. **Overall Allegation relating to Diversion of funds from FHsL –** In view of above, it was observed that on several occasions till May 2016, funds were diverted from FHL through FHsL for the ultimate benefit of RHC Holding which include the following:

   a. Rs.175 crore (Refer Instance 1 – Outflow of funds on April 04, 2016 from FHsL to Fern for which the ultimate beneficiary was RHC Holding).

   b. Rs.93.09 crore (Refer Instance 2 – Outflow of funds on April 04, 2016 from FHsL to Modland for which the ultimate beneficiary was RHC Holding).

   c. Rs.100 crore(Refer Instance 3 and Para 10.3.2 of the SCN w.r.t Outflow of funds on January 29, 2016 from FHsL to Best for which the ultimate beneficiary was RHC Holding. The repayment of the said ICD dated January 29, 2016 was also arranged by FHsL by issuing another ICD of Rs. 100 crore to Modland on April 04, 2016.

   d. Rs.98 crore (Refer Instance 4 – Outflow of funds on May 20, 2016 from FHsL to Best for which the ultimate beneficiary was RHC Holding).

   From the above analysis, it was observed that funds to the tune of Rs. 466 crore (approx.) were routed from FHL through FHsL to RHC Holding for the ultimate benefit of erstwhile promoters of FHL as RHC was jointly owned by the promoters of FHL.

iv. **Financial Misrepresentation –** These include transactions executed between FHsL and Best, Fern, Modland that led to misrepresentation in the financial statements of FHsL:-

   1. As discussed above, FHsL provided short term loans to Best, Fern and Modland for the ultimate benefit of RHC Holding from December 2012 to December 2015. It was also observed that during January 2016 to May 2016, funds were moved out of FHsL through Best, Fern and

Modland which benefitted RHC Holding. This para deals with the analysis of fund movements between FHsL and the borrower companies (Best, Fern and Modland) after May 2016. On analysis of the ledger account statements of Best, Fern and Modland in the books of FHsL, it was observed that FHsL was granting loans to the aforementioned three companies during the 1st day of the quarter and these three companies were repaying the loan amount during the last day of the quarter. However, on observing the bank account statements of Best, Fern, Modland and FHsL, it was observed that that FHsL had entered into multiple structured transactions with these three companies for five quarters (i.e. from Q1 of FY 2016-17 to Q1 of FY 2017-18). The details of such transactions with each of the three entities are given below:

a. **Transactions with Best –** As per ledger statement **-** Below mentionedis the extract of ledger account statement of Best in the books of FHsL for certain transactions during the period from April 2016 to June 2017:

Table 9: Extracts from Ledger account statement of Best in the books of FHsL

Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
01/04/2016	Opening Balance		-
25/05/2016	Being amount t/w loan to Best Healthcare Pvt. Ltd. Dt. 20.05.16	98,00,00,000	98,00,00,000
30/06/2016	Being fund recd from Best Healthcare Pvt. Ltd. T/W Loan Repayment & Interest Recd Dt 30.06.16	-98,00,00,000	-
01/07/2016	Fund paid to Best Healthcare Pvt. Ltd. T/W Loan Dt. 01.07.16	98,00,00,000	98,00,00,000
30/09/2016	Being chq. Recd from Best Healthcare t/w repayment of loan chq. No. 000004 & 000005	-98,00,00,000	-
01/10/2016	Fund transfer to Best Healthcare t/w loan dt. 01.10.16	98,00,00,000	98,00,00,000
30/12/2016	Being fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 30th nov 16 to 29th dec on Rs. 98 crores dt. 30.12.16	-98,00,00,000	-
02/01/2017	Fund transfer to Best Healthcare t/w loan dt. 02.01.17	98,00,00,000	98,00,00,000

Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
31/03/2017	Fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 01st mar 17 to 30 mar17 on Rs. 98 crores	-98,00,00,000	-
03/04/2017	Loan paid to Best Healthcare Pvt. Ltd. Dt. 03.04.17	1,50,00,00,000	1,50,00,00,000
30/06/2017	Fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 03rd apr 17 to 30 jun17 on Rs. 150 crores	-1,50,00,00,000	-
01/07/2017	Fund trf to Best Healthcare ltd. Dt. 01.07.17	1,55,07,00,000	1,55,07,00,000

i. From the above table, it is observed that FHsL provided funds to Best during the 1st day of the quarter and Best used to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Best were analysed.

ii. As per Bank account statement - Below mentioned are some of the transactions appearing in the bank account statement of Best during quarter ending June 2016:

Table 10: Extracts from Bank account statement of Best maintained with Axis Bank

Bank Account statement of Best – Axis Bank Account				
Date	**Particulars**	**Debit Amount (in Rs.)**	**Credit Amount (in Rs.)**	**Balance (in Rs.)**
19/05/2016	Closing Balance as on 19/05/2016			2,16,01,573
20/05/2016	Received from Fortis Hospitals		98,00,00,000	
20/05/2016	Transferred to Torus	98,00,00,000		
20/05/2016	Closing balance as on 20/05/2016			62,74,176
29/06/2016	Closing Balance as on 29/06/2016			12,76,039
30/06/2016	Closing Balance as on 30/06/2016			3,39,71,710
01/07/2016	Received from Fortis Hospitals		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/07/2016	Received from Torus		50,00,00,000	

01/07/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/07/2016	Received from Fortis Hospitals		50,00,00,000	
01/07/2016	Transferred to Torus	50,00,00,000		
01/07/2016	Closing balance as on 01/07/2016			3,14,71,652

iii. From the above table, the following is observed:

1. On receiving the money to the tune of Rs. 98 crores from FHsL on 20/05/2016, Best transferred it instantly to Torus on same date. These transactions have been discussed in the SCN wherein it was observed that these funds were ultimately diverted to RHC Holding.

2. On 30/06/2016, Best did not have the required funds in its bank statement to pay Rs. 98 crores to FHsL as balance in the bank account statement of Best as on June 30, 2016 was Rs. 3.4 crores (approx.).

3. The actual repayment of Rs. 98 crores from Best to FHsL took place on July 01, 2016 (i.e. after Best received Rs. 98 crores from FHsL {throughTorus Buildcon Private Limited }).

iv. In view of above, it was observed that Best utilized the funds received from FHsL on July 01, 2016 to pay of its outstanding dues of Rs. 98 crores to FHsL as on June 30, 2016. Further, FHsL didn't receive any funds from Best on June 30, 2016 whereas in its books of accounts, FHsL recorded the receipt of funds of Rs. 98 crores from Best on June 30, 2016 only. This led to artificially inflation of the bank balance in the books of account of FHsL for quarter ending June 30, 2016.

v. A similar pattern of fund flow was observed between FHsL and Best during subsequent quarters also .i.e. from quarter ending September 2016 to quarter ending June 2017. Below mentioned are some of the transactions appearing in the bank account statement of Best during the aforementioned quarters:

Table 11: Extracts from Bank account statement of Best maintained with HDFC Bank

Bank Account statement of Best – HDFC Bank Account				
Date	**Particulars**	**Debit Amount (in Rs.)**	**Credit Amount (in Rs.)**	**Balance (in Rs.)**
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			10,069
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	48,00,00,000		
01/10/2016	Received from Fortis Hospitals		48,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			10,069
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			11,26,102
02/01/2017	Received from ANR Securities Pvt Ltd		98,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	98,00,00,000		
02/01/2017	Received from Fortis Hospitals		98,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	98,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			11,26,073
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			75,64,266
03/04/2017	Received from Fortis Hospitals		1,50,00,00,000	
03/04/2017	Transferred to Fortis Hospitals	98,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	1,10,51,178		
03/04/2017	Transferred to Torus BuildconPvt Ltd* *(This amount was transferred from Torus to Modland and from Modland to Fortis on same date i.e. 03/04/2017)*	50,90,00,000		
03/04/2017	Closing balance as on 03/04/2017			75,13,088
Quarter ending June 2017				
30/06/2017	Closing Balance as on 30/06/2017			29,07,002
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		

01/07/2017	Received from Fortis Hospitals		5,07,00,000	
01/07/2017	Transferred to Fortis Hospitals	5,06,93,425		
01/07/2017	Closing balance as on 01/07/2017			4,11,499

vi. From the above table, the following was observed:

1. The amount available in the aforementioned bank account of Best during the last day of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017) was insignificant compared to the repayment amount that Best had to make to FHsL at the end of each quarter.

2. Before making the repayment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017), Best had received funds from either FHsL itself or through other entities (like SaubhagyaBuildcon, ANR Securities & Torus Buildcon and repayment to such entities were made by Best on the same day itself through the funds received from FHsL).

vii. In addition to above, it was observed that prior to quarter ending June 2017, repayment by Best to FHsL were made in 1 or 2 transactions, however, during the quarter ending June 2017, cheques worth Rs. 30 crores were rotated in the bank accounts of FHsL and Best five times on a single day i.e. on July 01, 2017. During this period, FHsL had shown receipt of funds to the tune of Rs. 150 crores from Best as on June 30, 2017 in the ledger account of Best and also shown transfer of funds to the tune of Rs. 155.07 crores to Best on July 01, 2017. In this regard, information was sought from HDFC Bank (where the bank accounts of Best and FHsL were maintained). Based on the information received from HDFC bank, the following was observed:

1. Best had issued five cheques of Rs. 30 crores each dated June 30, 2017 in the name of FHsL (The cheque numbers were

00107, 00109, 00110, 00111, 00112). On the date of issuing such cheques, the balance available in the bank account statement of Best was Rs. 29 lakhs (approx.) only.

2. FHsL had issued five cheques of Rs. 30 crores each dated July 01, 2017 in the name of Best (The cheque numbers were 05832, 05833, 05834, 05835, 05836).

3. The bank account statement of Best and FHsL were maintained with the same bank i.e. HDFC bank, whereas, the branches were different (Bank account of Best was maintained with KG Marg, New Delhi Branch and the Bank account to FHsL was maintained with Bankhouse Gurgaon Branch). However, the aforementioned cheques of both Best and FHsL were deposited with Bankhouse Gurgaon Branch on the same date i.e. on July 01, 2017.

b. Transactions with Fern –

1. **As per ledger statement -** Below mentionedis the extract of ledger account statement of Fern in the books of FHsL for certain transactions during the period from April 2016 to June 2017:

Table 12: Extracts from Ledger account statement of Fern in the books of FHsL

Date	Particulars	Amount (In Rs.)	Cumulative Balance (In Rs.)
01/04/2016	Opening Balance		-
04/04/2016	Fund Transfer To Fern Healthcare T/W Loan Dt. 04.04.16	75,00,00,000	75,00,00,000
04/04/2016	Fund Transfer To Fern Healthcare T/W Loan Dt. 04.04.16	1,00,00,00,000	1,75,00,00,000
30/06/2016	Being Amount Of Interest Income Booked On Fern Healthcare	1,75,00,00,000	-

01/07/2016	Fund Paid To Fern Healthcare Pvt. Ltd. T/W Loan Dt. 01.07.16	1,75,00,00,000	1,75,00,00,000
30/09/2016	Being Chq. Recdfrom Fern Healthcare T/W Repayemntof Loan Chq. No. 005028 005029 005030 & 005031	1,75,00,00,000	-
01/10/2016	Fund Transfer To Fern Healthcaer T/W Loan Dt. 01.10.16	1,75,00,00,000	1,75,00,00,000
30/12/2016	Fund Refd From Fern Healthcare T/W Principal & Interest Received From Fern From 30th Nov 16 To 29th Dec On Rs 175 Crores Dt. 30.12.16	1,75,00,00,000	-
02/01/2017	Fund Transfer To Fern Healthcare T/W Loan Dt. 02.01.17	1,75,00,00,000	1,75,00,00,000
31/03/2017	Fund Recd From Fern Healthcare T/W Principal & Interest Received From Fern From 01st Mar 17 To 30 Mar17 On Rs 175 Crores	1,75,00,00,000	-
03/04/2017	Loan Paid To Fern Healthcare Pvt. Ltd. Dt. 03.04.17	1,78,00,00,000	1,78,00,00,000
30/06/2017	Fund Recd From Fern Healthcare T/W Principal & Interest Received From Fern From 03rd Apr 17 To 30 Jun 17 On Rs 178 Crores	1,75,00,00,000	-
01/07/2017	Fund Trf To Fern Helathcare Ltd. Dt. 01.07.17	1,84,00,00,000	1,84,00,00,000

2. From the above table, it is observed that FHsL provided funds to Fern during the 1st day of the quarter and Fern use to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Fern were analysed.

3. **As per Bank account statement -** Below mentioned are some of the transactions appearing in the bank account statement of Fern during quarter ending June 2016 to quarter ending June 2017:

Table 13: Extracts from Bank account statement of Fern maintained with Axis Bank & HDFC Bank

Bank Account statement of Fern – Axis Bank Account

Date	Particulars	Debit Amount (in Rs.)	Credit Amount (in Rs.)	Balance (in Rs.)
03/04/2016	Closing Balance as on April 03, 2016			5,66,276
04/04/2016	Received from Fortis Hospitals		75,00,00,000	
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to ANR Securities Pvt Ltd.	1,75,00,00,000		
04/04/2016	Closing balance as on 04/04/2016			5,41,276
30/06/2016	Closing Balance as on June 30, 2016			15,52,313
01/07/2016	Received from Torus BuildconPvt Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	25,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		25,00,00,000	
01/07/2016	Transferred to Torus BuildconPvt Ltd	50,00,00,000		
01/07/2016	Closing balance as on 04/04/2016			15,42,163
Bank Account statement of Fern – HDFC Bank Account				
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			81,975
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	25,00,00,000		
01/10/2016	Received from Fortis Hospitals		25,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			81,975
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			1,84,984
02/01/2017	Received from ANR Securities Pvt Ltd		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	1,50,00,00,000		
02/01/2017	Received from Fortis Hospitals		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	25,00,00,000		
02/01/2017	Received from Fortis Hospitals		25,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	1,50,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			1,84,984
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			11,56,934
03/04/2017	Received from Fortis Hospitals		1,78,00,00,000	
03/04/2017	Transferred to Fortis Hospitals	1,75,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	1,97,34,247		
03/04/2017	Transferred to ANR Securities Pvt Ltd	1,03,00,000		
03/04/2017	Closing balance as on 03/04/2017			11,22,687
Quarter ending June 2017				

30/06/2017	Closing Balance as on 30/06/2017			1,18,763
01/072017	Received from SaubhagyaBuildcon		2,00,000	
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		4,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	4,01,56,197		
01/07/2017	Closing balance as on 01/07/2017			1,62,566

4. From the above table, the following was observed:

    1. The amount available in the aforementioned bank accounts of Fern during the last day of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017) was insignificant compared to the repayment amount that Fern had to make to FHsL at the end of each quarter.

    2. Before making the payment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017), Fern had received funds from either FHsL itself or through other entities (like SaubhagyaBuildcon Private Limited, ANR Securities Private Limited &Torus Buildcon Private Limited and repayment to such entities were made by Fern on the same day itself through the funds received from FHsL).

c. Transactions with Modland –

i. **As per ledger statement -** Below mentionedis the extract of ledger account statement of Fern in the books of FHsL for certain transactions during the period from April 2016 to June 2017:

Table 14: Extracts from Ledger account statement of Modland in the books of FHsL

Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
01/04/2016	Opening Balance		-
04/04/2016	Fund Transfer To Modland Wears T/W Loan Dt. 04.04.16	1,00,00,00,000	1,00,00,00,000
04/04/2016	Fund Transfer To Modland T/W Loan	1,00,00,00,000	2,00,00,00,000
30/06/2016	Fund Refd From Modland Healthcare T/W Loan Repayment & Interest Recd Dt.30.06.16	2,00,00,00,000	-
01/07/2016	Fund Paid To ModlandHelath Care T/W Loan Dt. 01.07.16	2,00,00,00,000	2,00,00,00,000
30/09/2016	Being Chq. RecdfromModland Healthcare T/W Repayemntof Loan Chq. No. 000007 000008 000009 & 000010	2,00,00,00,000	-
01/10/2016	Fund Transfer To ModlandHealthcaer T/W Loan Dt. 01.10.16	2,00,00,00,000	2,00,00,00,000
30/12/2016	Fund Refd From Modland Healthcare T/W Principal & Interest Received From Modland From 30th Nov 16 To 29th Dec On Rs 200 Crores Dt. 30.12.16	2,00,00,00,000	-
02/01/2017	Fund Transfer To Modland Healthcare T/W Loan Dt. 02.01.17	2,00,00,00,000	2,00,00,00,000
31/03/2017	FUND RECD FROM MODLAND HEALTHCARE T/W PRINCIPAL &INTEREST RECEIVED FROM MODLAND FROM 01st Mar 17 TO 30 Mar17 ON RS 200 CRORES	2,00,00,00,000	-
03/04/2017	Loan Paid To Modland Wears Pvt. Ltd. Dt. 03.04.17	1,50,00,00,000	1,50,00,00,000
30/06/2017	FUND RECD FROM MODLAND HEALTHCARE T/W PRINCIPAL &INTEREST RECEIVED FROM MODLAND FROM 03rd Apr17 TO 30 Jun 17 ON RS 150 CRORES	1,50,00,00,000	-
01/07/2017	Fund Trf To Modland Dt. 01.07.17	1,55,07,00,000	1,55,07,00,000

ii. From the above table, it is observed that FHsL provided funds to Modland during the 1st day of the quarter and Modland use to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Modland were analysed.

iii. **As per Bank account statement -** Below mentioned are some of the transactions appearing in the bank account statement of Modland during quarter ending June 2016 to quarter ending June 2017:

Table 15: Extracts from Bank account statement of Modland maintained with Axis Bank & HDFC Bank

Bank Account statement of Modland – Axis Bank Account				
Quarter ending June 2016				
Date	**Particulars**	**Debit Amount (in Rs.)**	**Credit Amount (in Rs.)**	**Balance (in Rs.)**
03/04/2016	Closing Balance as on April 03, 2016			3,36,50,316
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to Torus BuildconPvt Ltd	1,00,00,00,000		
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to Torus BuildconPvt Ltd	1,00,00,00,000		
04/04/2016	Closing balance as on 04/04/2016			1,73,28,190
30/06/2016	Closing Balance as on June 30, 2016			9,78,771
01/07/2016	Received from RanchemPvt Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Torus BuildconPvt Ltd	50,00,00,000		
01/07/2016	Received from Torus BuildconPvt Ltd		50,00,00,000	
01/07/2016	Transferred to RanchemPvt Ltd	50,00,00,000		
01/07/2016	Closing balance as on 04/04/2016			9,78,771
Bank Account statement of Fern – HDFC Bank Account				
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			2,36,330
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	

01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			2,36,330
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			2,01,470
02/01/2017	Received from ANR Securities Pvt Ltd		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	1,50,00,00,000		
02/01/2017	Received from Fortis Hospitals		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	50,00,00,000		
02/01/2017	Received from Fortis Hospitals		50,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	1,50,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			2,01,470
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			13,97,840
03/04/2017	Received from RHC Holding Pvt Ltd		1,99,00,00,000	
03/04/2017	Transferred to Torus Buildcon	3,35,00,000		
03/04/2017	Received from ANR Securities Pvt Ltd		3,30,00,000	
03/04/2017	Received from Torus Buildcon		3,35,00,000	
03/04/2017	Transferred to Fortis Hospitals	2,00,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	2,25,53,425		
03/04/2017	Received from Fortis Hospitals		1,50,00,00,000	
03/04/2017	Received from Torus Buildcon		50,90,00,000	
03/04/2017	Transferred to ANR Securities Pvt Ltd	1,90,00,000		
03/04/2017	Transferred to RHC Holding Pvt Ltd	1,99,00,00,000		
03/04/2017	Closing balance as on 03/04/2017			18,44,415
Quarter ending June 2017				
30/06/2017	Closing Balance as on 30/06/2017			99,723
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		5,07,00,000	
01/07/2017	Transferred to Fortis Hospitals	5,06,93,425		
01/07/2017	Closing balance as on 01/07/2017			1,06,298

iv. From the above table, the following was observed:

1. The amount available in the aforementioned bank accounts of Modland during the last day of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017) was insignificant

compared to the repayment amount that Modland had to make to FHsL at the end of each quarter.

2. Before making the repayment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017), Modland had received funds from either FHsL itself or through other entities (like Saubhagya Buildcon Pvt Ltd, ANR Securities Pvt Ltd, RanchemPvt Ltd, RHC Holding &Torus Buildcon Private Limited and repayment to such entities were made by Modland on the same day itself through the funds received from FHsL).

2. In view of observations made above, it was observed that Best / Fern / Modland did not make any actual repayment of loans / ICDs to FHsL during the aforementioned 5 quarters i.e. from quarter ending June 2016 to quarter ending June 2017as the repayments were made by these companies using the funds received from FHsL only. Thus, FHsL did not receive the repayment of ICDs that was given to Best, Fern and Modland during April / May 2016, details of which are summarised as under:

Table 16: Details of ICDs given by FHsL to 3 borrower companies during FY 2016-17

Date	**Entity to which ICD was given**	**Amount**
04/04/2016	Modland Wears Private Limited	2,00,00,00,000
04/04/2016	Fern Healthcare Private Limited	1,75,00,00,000
25/05/2016	Best Healthcare Private Limited	98,00,00,000

3. With respect to the above ICDs, it was further observed as under:

   a. Through these transactions, the position of funds lying in the bank account of FHsL during the period between the end of quarter ending June 2016 to quarter ending June 2017, were artificially inflated as FHsL had recorded receipt of funds in the ledger accounts of Best / Fern / Modland on the last day of each quarter whereas FHsL actually didn't receive any funds from Best / Fern / Modland on the last day of the aforementioned quarters.

b. These synchronized transactions also aided FHsL in masking the fact that the short term loans / ICDs given to Best / Fern / Modland were not performing.

c. Through the aforementioned transactions, the position of funds lying in the bank accounts of FHsL at the end of each of the aforementioned 5 quarters had been artificially inflated by Rs. 473 crores.

d. Since the 3 companies were not able to pay the aforementioned amount of ICDs, these should have been shown as bad debts in the books of accounts of FHsL for the aforementioned 5 quarters. This would have reduced the net profit of FHsL for the 5 quarters. Hence, the profits of the company were inflated by FHsL for the aforementioned 5 quarters by an amount of Rs. 473 crore.

e. Although FHsL had not actually received any repayment funds from the said 3 companies during quarter ended June 2016 to quarter ended June 2017,in its books of accounts FHsL had recorded that funds had been received from the aforementioned 3 entities during the end of each quarter from quarter ending June 2016 to June 2017. Thus, the rotational bank transactions through synchronized clearance of cheques were used to misrepresent the actual consolidated financial position by FHL and the three borrower companies and to manipulate the FHsL's books of accounts and for the aforesaid period.

f. The structured rotation of funds and the rollover of loans were used by FHsL to hide the real financial position of FHsL and the financial statements of FHsL for quarter ending June 2016 to quarter ending June 2017 were thus misrepresented. Consequently, did not provide a true and fair view of the consolidated financials of FHL to the shareholders of the said listed company.

4. Considering the above, it was alleged that the structured movement of funds resulted in artificial inflation of the bank balance and net profit of FHsL and non-disclosure of material information as well as misrespensentation in the financial statements of FHsL for the period from quarter ending June 2016 to quarter ending June 2017. The same further resulted in non-disclosure of material information and misrepresentation in the consolidated books of accounts of FHL for the aforesaid period.

ii. **Further Diversion / Repayment during 2017-18 (subsequent to Financial Misrepresentation) –**

1. As discussed above, numerous fund transactions were observed between FHsL, the borrower companies (Best, Fern and Modland) and various other entities during the Investigation Period. All such transactions took place during the period from FY 2011-12 to FY 2015-16 and were categorised into initial loan transactions, subsequent short term loans / ICDs and diversion of funds. Thereafter, during June 2016 to June 2017, certain other transactions were observed that have been classified as financial misrepresentations in the SCN. Apart from the above, from the ledger accounts of the borrower companies in the books

of FHsL, certain other transactions were observed during FY 2017-18 through which the amounts due to borrower companies changed. The details of such transactions and their impact on the net diverted amount has been discussed in this para. However, before explaining the details of such transactions (that took place during FY 2017-18), a summary of the amount observed to be diverted from FHsL to RHC Holding through 3 borrower companies (as mentioned in the preceding paragraphs) is reproduced below.

Table 17: Summary of amount diverted from FHsL (based on the findings mentioned above as also at Paragraphs no.10.3.2 and 10.3.3 of the SCN)

Sl. No.	Date of ICD	Details of the borrower company through which the funds were diverted		Details of the Ultimate Beneficiary		Referencein which such transactions are explained
		Borrower Company	ICD Amount (in Rs.)	Ultimate Beneficiary	Amount (in Rs.)	
1	04/04/2016	Fern	175 crore	RHC	175 crore	Instance 1
2	04/04/2016	Modland	100 crore	RHC	93.09 crore	Instance 2
3	04/04/2016	Modland	100 crore	RHC	100 crore	Instance 3
4	20/05/2016	Best	98 crore	RHC	98 crore	Instance 4
TOTAL					**466.09 crore**	

2. From the above, it was observed that funds to the tune of Rs. 466 crore (approx.) were diverted from FHsL (through Best, Fern and Modland) for the ultimate benefit of RHC Holding during the period from January 2016 to May 2016. Thereafter, during June 2016 to June 2017, circular movements of funds were observed between bank accounts of Best, Fern and Modland through which FHsL could portray that the 3 borrower companies were regularly repaying the ICD amount. However, actually no money was received by FHsL from these 3 borrower companies during the aforementioned period. A detailed analysis of the same is

provided at Para 10.3.4 of the SCN. Further, it was observed that the amount of funds rotated during June 2016 to March 2017 were different from that rotated during April 2017 to March 2018. To understand the same, a summary of ledger account of the 3 borrower companies in the books of FHsL during FY 2016-17 to FY 2017-18 along with the analysis on the transactions during such period is mentioned below:

a. **Transactions with Best and Modland –** An extract of ledger account of Best and Modland in the books of FHsL for FY 2016-17 and FY 2017-18 is given in table below:

Table 18: Extract of Ledger Account of Best in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	25/05/2016	Being Amount T/W Loan To Best	98,00,00,000		98,00,00,000
2	30/06/2016	Being Fund Recd From Best		98,00,00,000	0
3	01/07/2016	Fund Paid To Best	98,00,00,000		98,00,00,000
4	30/09/2016	Being Chq. Recd From Best Healthcare		98,00,00,000	0
5	01/10/2016	Fund Transfer To Best	98,00,00,000		98,00,00,000
6	30/12/2016	Being Fund Recd From Best		98,00,00,000	0
7	02/01/2017	Fund Transfer To Best	98,00,00,000		98,00,00,000
8	31/03/2017	Fund Recd From Best		98,00,00,000	0
9	03/04/2017	Loan Paid To Best	150,00,00,000		150,00,00,000
10	30/06/2017	Fund Recd From Best		150,00,00,000	0
11	01/07/2017	Fund Trf To Best Helathcare	155,07,00,000		155,07,00,000
	Closing Balance as on February 28, 2018				**155,07,00,000**

Table 19: Extract of Ledger Account of Modland in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	04/04/2016	Fund Transfer To Modland	100,00,00,000		100,00,00,000
2	04/04/2016	Fund Transfer To Modland	100,00,00,000		200,00,00,000

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
3	30/06/2016	Fund Refd From Modland		200,00,00,000	0
4	01/07/2016	Fund Paid To Modland	200,00,00,000		200,00,00,000
5	30/09/2016	Being Chq. Recd From Modland		200,00,00,000	0
6	01/10/2016	Fund Transfer To Modland	200,00,00,000		200,00,00,000
7	30/12/2016	Fund Refd From Modland		200,00,00,000	0
8	02/01/2017	Fund Transfer To Modland	200,00,00,000		200,00,00,000
9	31/03/2017	Fund Recd From Modland		200,00,00,000	0
10	03/04/2017	Loan Paid To Modland	150,00,00,000		150,00,00,000
11	30/06/2017	Fund Recd From Modland		150,00,00,000	0
12	01/07/2017	Fund Trf To Modland	155,07,00,000		155,07,00,000
13	28/07/2017	Fund Recd From Modland		21,71,00,000	133,36,00,000
	Closing Balance as on February 28, 2018				**133,36,00,000**

b. In the above tables, the analysis of transactions mentioned at Sl. No. 1 to 8 (in Table 18) and Sl. No. 1 to 9 (in Table 19) has been already provided at Para 10.3.5 of the SCN.

c. From Table 18, it was observed that during May 2016 to March 2017, an amount of Rs. 98 crore was rotated multiple times between Best and FHsL. However, during April 2017, the ICD amount to Best was increased from Rs. 98 crore to Rs. 150 Crore. Similarly, from Table 19, it was observed that during May 2016 to March 2017, an amount of Rs. 200 crore was rotated multiple times between Best and Modland. However, during April 2017, the ICD amount to Modland was reduced from Rs. 200 crore to Rs. 150 crore.

d. In this regard, the bank account statements of Best, Modland and FHsLwere analysed. Below mentioned is the flow of funds observed on April 03, 2017:

Flow of funds relating to ICD dated April 03, 2017 that FHsL issued to Best

03/04/2017	FHsL 150,00,00,000	→	Best 150,00,00,000	→	FHsL 98,00,00,000				
				→	Torus 50,90,00,000	→	Modland 50,90,00,000	→	FHsL 200,00,00,000

e. It was observed that FHsL transferred Rs. 150 crore to Best on April 02, 2017. Out of this Rs. 150 crore, Best had transferred Rs. 99 crore (approx.) back to FHsL portraying that it had paid off its earlier ICD amount of Rs. 98 crore along with interest. The remaining Rs. 50.90 crore (approx.) was transferred by Best to Modland (through Torus Buildcon Pvt. Ltd.). In addition to these Rs. 50.90 crore (approx.) that Modland received from Torus Buildcon Pvt. Ltd., Modland also received Rs. 150 crore from FHsL on April 03, 2017 (This Rs. 150 crore is shown at Sl. No. 10 in Table 19. FHsL has shown this Rs. 150 crore as a fresh ICD to Modland). On the same date (i.e. April 03, 2017), after receiving Rs. 200.90 crore (approx.) (Rs. 150 crore from FHsL and Rs. 50.90 crore from Torus Buildcon Pvt. Ltd.), Modland had transferred Rs. 200 crore to FHsL on the same date (FHsL has shown this receipt of Rs. 200 crore from Modland as repayment of earlier ICD which it had given to Modland. This transaction is shown at SL. No. 9 in Table 19).

f. From the above, the following was observed:

i. In the books of FHsL, ICD amount of Best was increased from Rs. 98 crore to Rs. 150 crore.

ii. In the books of FHsL, ICD amount of Modland was decreased from Rs. 200 crore to Rs. 150 crore.

g. Hence, it was alleged that the net impact of the aforementioned transactions (with Best and Modland) that happened during April 2017, remained nil for FHsL as the outstanding amount to the extent of Rs. 50 crore was transferred from Modland to Best (which was a mere book entry). It was also observed that during FY 2016-17 and FY 2017-18 when the circular movement of funds took place between the 3 borrower companies and FHsL, the repayment for the principal amount as well as the interest amount (that the borrower companies had paid back to FHsL) was arranged by FHsL only. Hence, the transactions for the interest amount have not beenshown separately.

h. **Transactions with Fern –** An extract of ledger account of Fern in the books of FHsL for FY 2016-17 and FY 2017-18 is given in table below:

Table 20: Extract of Ledger Account of Fern in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	04/04/2016	Fund Transfer To Fern	75,00,00,000		75,00,00,000
2	04/04/2016	Fund Transfer To Fern	100,00,00,000		175,00,00,000
3	30/06/2016	Being Amount Of Interest Income Booked On Fern Healthcare		175,00,00,000	0
4	01/07/2016	Fund Paid To Fern Healthcare	175,00,00,000		175,00,00,000
5	30/09/2016	Being Chq. Recd From Fern		175,00,00,000	0
6	01/10/2016	Fund Transfer To Fern	175,00,00,000		175,00,00,000
7	30/12/2016	Fund Refd From Fern		175,00,00,000	0
8	02/01/2017	Fund Transfer To Fern	175,00,00,000		175,00,00,000
9	31/03/2017	Fund Recd From Fern		175,00,00,000	0
10	03/04/2017	Loan Paid To Fern	178,00,00,000		178,00,00,000

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
11	30/06/2017	Fund Recd From Fern		178,00,00,000	0
12	01/07/2017	Fund Trf To Fern	184,00,00,000		184,00,00,000
13	21/02/2018	Fund Recd From Fern		70,00,00,000	114,00,00,000
	Closing Balance as on February 28, 2018				**114,00,00,000**

i. In the above tables, the analysis of transactions mentioned at S. No. 1 to 9 (in Table 20) has been already provided at Para 10.3.4 of the SCN as also discussed in the preceding paragraphs.

j. From Table 20 above, it was observed that during April 2016 to March 2017, Rs. 175 crore was rotated multiple times between Fern and FHsL. However, during April 2017, the ICD amount to Fern was increased from Rs. 175crore to Rs. 178 crore. Thereafter, the ICD amount to Fern was further increased from Rs. 178 crore to Rs. 184 crore during July 2017. On analysing the bank account statements of Fern and FHsL during quarter ending April 2017 and June 2017, the following was observed:

Flow of funds relating to ICDs dated April 03, 2017 and July 01, 2017 that FHsL issued to Fern

<table>
<tr><td rowspan="2">03/04/2017</td><td rowspan="2">FHsL
178,00,00,000</td><td rowspan="2">→</td><td rowspan="2">Fern
178,00,00,000</td><td>→</td><td>FHsL
176,97,34,247</td><td colspan="2"></td></tr>
<tr><td>→</td><td>ANR
1,03,00,000</td><td>→</td><td>RHC
2,93,00,000</td></tr>
</table>

01/07/2017	FHsL 184,00,00,000	→	Fern 184,00,00,000	→	FHsL 184,01,56,197	

k. From the above, it was observed that out of increased ICD amount of Rs. 9 crore (from Rs. 175 to Rs. 184 crore), Fern used Rs. 7.97

crore (approx.) to pay off the interest on such ICD to FHsL. Further, out of increased ICD amount of Rs. 3 crore (Rs. 175 crore to Rs. 178 crore) during April 03, 2017, a sum of Rs. 1.03 crore (approx.) was routed to RHC Holding.

3. Apart from aforementioned transactions during FY 2017-18, one more transaction was observed between FHsL and Fern in which FHsL received a sum of Rs. 70 crore from Fern on February 07, 2018 (as repayment of ICD). The same was recorded by FHsL in the ledger of Fern on February 21, 2018.

4. Thus, total diverted amount from FHsL (through Fern) to RHC Holding, after adjusting for aforementioned transactions that took place during FY 2017-18 was as follows:

Table 21: Summary of amount diverted from FHsL through Fern

Particulars	**Amount (in Rs. Crore)**
Diverted amount during April 04, 2016 (Refer Para 10.3.2 – Instance 1)	175
Add – Further diversion during April 03, 2017 (mentioned above in this para)	1.03
Less – Repayment made during February 07, 2018 - (mentioned above in this para)	70
= Net Diverted amount from FHsL to RHC (through Fern) (as on February 28, 2018)	106.03

5. From the above, it is alleged that the balance of funds that were diverted from FHsL to RHC Holding (through Fern) as on February 28, 2018, was Rs. 106.03 crore (approx.).

13. **Summary of Diverted amount –** Based on the observations made above, as I also discussed at paragraphs no. 10.3.2 and 10.3.3 of the SCN, a summary of funds diverted from FHsL to RHC Holding was indicated at Table 17 above. However, considering the observations made thereafter (relating to certain transactions that happened during FY 2017-18), the details of funds that were diverted from FHsL

to RHC Holding, through the 3 borrower companies as on February 28, 2018, is shown in the table below:

Table 22: Revised Summary of amount diverted from FHsL

S. No.	Date of ICD	Details of the borrower company through which the funds were diverted		Diverted to		Para Reference in which such transactions are explained
		Borrower Company	**ICD Amount (in Rs.)**	**Diverted to**	**Amount (in Rs.)**	
1	04/04/2016	Fern	175 crore	RHC	106.03 crore	Instance 1
2	04/04/2016	Modland	100 crore	RHC	93.09 crore	Instance 2
3	04/04/2016	Modland	100 crore	RHC	100 crore	Instance 3 and
4	20/05/2016	Best	98 crore	RHC	98 crore	Instance 4
TOTAL					**397.12 crore**	

From the above and after considering the submissions of various entities made during the process of investigation, it was observed that funds to the tune of Rs. 397.12 Crore (approx.) were diverted from FHsL for the benefit of RHC Holding (through Best, Fern and Modland) and ultimately for Mr. Shivinder Mohan Singh and Mr. Malvinder Mohan Singh. In this regard, the aforementioned Rs. 397.12 crore (approx.) was only the principal amount excluding any interest component.

Apart from the pattern of fund movement through layers of various entities, it was also observed that borrower entities (Best, Fern and Modland), intermediate conduit entities (through which the funds were transferred) and the beneficiaries (RHC Holding) were all connected to each other and to the promoters of FHL / FHsL. The details and basis of such inter-connections amongst Noticees were provided at **Annexure-7** of the SCN**.**

14. Summary of allegation with respect to the findings of investigation as contained in the SCN:

   a. **Initial loans by FHL** - A land was first acquired indirectly by FHL through its subsidiary EHIRCL and another entity (Lowe) in May 2011, which was transferred in December 2011 to RHC Holding without any consideration. Only a structured rotation of 200 Crores was carried out three times to give a false picture that the initial payments by FHL for the purchase of land have been received with interest. The money received by FHL was immediately transferred back to RHC through the three Borrower Companies. Thus, the actual payment for the purchase of land by RHC Holding was made by FHL and though RHC ultimately paid the consideration for land, it was after a period of more than 3 years. In other words, ICDs/loans that FHL provided to Best, Fern and Modland through FHsL had actually been utilized by RHC for a period of 3-4 years. In this regard, considering the connection of the borrower entities and the promoter group as well as the pattern of funds clearly showing the ultimate beneficiary as RHC Holding Pvt Ltd, it is alleged that routing of funds by camouflaging through layers of transactions as has been demonstrated above was to circumvent the provisions of related party transactions.

b. **Subsequent short term ICDs -** During December 2012 to March 2016, FHsL had given numerous short term loans / ICDs to Best, Fern and Modland, which were ultimately benefitted by RHC Holding. It is alleged that the routing of funds through short term ICDs during the aforesaid period December 2012 till March 2016 was to circumvent the provisions w.r.t related party transactions as mandated in the case of a listed company and thus material information was not disclosed in the consolidated financials of FHL.

c. **Misrepresentation of financial statements -**The consolidated financial statements of FHL for the period from quarter ending June 2016 to quarter ending June 2017 were misrepresented and material information was not disclosed in the said financial statements. The said financial statements did not give a true and fair view of the financial position of FHsL and FHL.

d. **Diversion of Funds -**The funds to the tune of Rs. 397.12 crores (approx.), excluding interest, were diverted from FHsL for the benefit of promoter related entity i.e. RHC Holding (through Best, Fern and Modland) & ultimately the beneficiary were the promoters of FHL.

10 From the preceding paragraphs, it was*prima facie* observed that the funds of FHL were moved out through its subsidiaries i.e, FHMNL and FHsL to three borrower entities (viz. Noticees No.1-3) and in turn, through various layers of connected conduit entities to FHL's promoter i.e, RHC Holdings Pvt Ltd. Hence, the ultimate beneficiary of the above diversion of funds from the listed company i.e, FHL were RHC Holding Pvt Ltd and consequently, MMS and SMS, who jointly owned and controlled RHC Holdings during the investigation period.

11 Thus, all these entities i.e, MMS, SMS, RHC Holdings, Mr. Hemant Dhingra (senior functionary of RHC Holdings Limited) 3 borrower companies (Noticees No. 1-3) along with conduit entities (Sl. No. 4 to 25 of this order), were observed to be part of a fraudulent and deceptive device wherein they acted in a fraudulent manner which led to misuse and/or diversion of funds from a listed company (i.e, Fortis Healthcare Limited through Fortis Hospitals Limited) to the tune of Rs.397.12 crore (approx.) for the ultimate benefit of its parent company viz, RHC Holdings Private Limited and in turn MMS and SMS. It is observed that the borrower companies and the conduit entities had miniscule net worth compared to the quantum of fund that they had aided in transferring and are therefore, *prima facie* considered to be companies without any genuine business activities and are being used solely for the purposes of the routing of funds as detailed in the preceding paragraphs. The relationship between the borrower companies and the conduits is tabulated herein below:

Sr. No.	Name & PANs of the entities	Basis of Connection	Relevant Year*
1	Fortis Healthcare Limited	The company, directors include MMS, SMS, Sunil Godhwani.	2011-12
2	Fortis Hospitals Limited	As on March 31, 2012, 100% shareholding of these entities was held by FHL (S. No. 1).	2011-12
3	Escorts Heart Institute and Research Centre Limited		2011-12
4	Fortis Healthcare Holdings Private Limited	Had common director (i.e. SMS) with FHL (S. No. 1). As on March 31, 2012, it was holding 81.34% shareholding in FHL (S. No. 1) and RHC Holding was its holding company during IP.	2011-12
5	RHC Holding Private Limited	Shared common directors and promoters (MMS, SMS) with FHL (S. No. 1). Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL (S. No. 4).	2011-12
6	RHC Finance Private Limited	As on March 31, 2012, it's 100% shareholding was held by RHC (S. No. 5) Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL (S. No. 4) and RHC (S. No. 5)	2011-12
7	Malav Holdings Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL (S. No. 4), RHC (S. No. 5), RHC Finance (S. No. 6). Shared common director (MMS) with FHL (S. No. 1) and RHC (S. No. 5); As on March 31, 2012, it's 95.13% shareholding was held by Malvinder Mohan Singh Jt. Japna Malvinder Singh	2011-12
8	Shivi Holdings Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL (S. No. 4), RHC (S. No. 5), RHC Finance (S. No. 6), Malav (S. No. 7) Shared common director (SMS) with FHL (S. No. 1) and RHC (S. No. 5); As on March 31, 2012, it's 95.19% shareholding was held by Shivinder Mohan Singh Jt. Aditi Shivinder Singh	2011-12
9	Religare Enterprises Limited	Shared common director (MMS, SMS, Sunil Godhwani) with FHL (S. No. 1). As on March 31, 2016, it's shareholding pattern was as followed: (RHC Finance – 16.33%, RHC – 22.27%, MMS – 6.24%, SMS – 6.10%, Shivi – 5.61%, Malav – 4.36%)	2015-16
10	Religare Finvest Limited	Shared common address (D3, P3B, District Centre, Saket, New Delhi) with REL (S. No. 9). As on March 31, 2016, it's 80.23 % shareholding was held by REL (S. No. 9)	2015-16

Sr. No.	Name & PANs of the entities	Basis of Connection	Relevant Year*
11	Shimal Healthcare Private Limited	Shared common director (MMS) with FHL, RHC, RHC Finance, Malav, REL (S. No. 1, 5, 6, 7, 9 respectively) Shared common director (Hemant Dhingra) with FHsL, EHIRCL (S. No. 2, 3 respectively) As on March 31, 2014, it's 50% shareholding was held by RHC Finance (S. No. 6)	2013-14
12	ANR Securities Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL, RHC, RHC Finance, Malav, Shivi (S. No. 4, 5, 6, 7, 8 respectively) Shared common director (Hemant Dhingra) with FHsL, EHIRCL, Shimal (S. No. 2, 3, 11 respectively) As per RHC Holding Annual reports for the IP, MMS and SMS were able exercise significant influence over entity and subsequently a subsidiary of RHC Holding in 2014 .	2011-12
13	Oscar Investments Limited	Shared common directors (MMS, SMS) with FHL, RHC, REL (S. No. 1, 5, 9 respectively) Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with FHHPL, RHC, RHC Finance, Malav, Shivi, ANR (S. No. 4, 5, 6, 7, 8, 12 respectively) As on March 31, 2012, it's shareholding pattern was as followed: (RHC – 30%, Shivi – 12%, Malav – 12%) and as per Annual Reports of RHC Holding, it was an associate of RHC Holding	2011-12
14	Ligare Aviation Limited (Old Name - Religare Aviation Limited)	One of the directors of this company was Mr. Sanjay Godhwani, who is the brother of Sunil Godhwani. Sunil Godhwani was director in FHL, REL (S. No. 1, 9) As per RHC Holding Annual reports for the IP, MMS and SMS were able exercise significant influence over entity and subsequently became a subsidiary of RHC Holding.	2013-14
15	Adept Lifespaces Private Limited (Earlier Adept Creations Private Limited)	Shared common directors (Anuj Chowdhry, Ravi Kohli) with Ligare (S. No. 14) As on March 31, 2012, it's 50% shareholding was held with Best (S. No. 16)	2011-12
16	Best Healthcare Private Limited	Shared common director (Rana Gill) with Adept (S. No. 15) As on March 31, 2012, it's shareholding pattern was as followed: Adept (S. No. 15) – 37%, Fern (S. No. 26) – 6.29%, Best Cure (S. No. 17) - 6.71%, Best Medicine (S. No. 20) – 6.53%.	2011-12
17	Best Cure Private Limited (New Name	Shared common address (G-24, Mansarover Garden, 1st Floor, Sawan Niwas, New Delhi) with Best (Sf. No. 16)	2012-13

Sr. No.	Name & PANs of the entities	Basis of Connection	Relevant Year*
	–Devera Developers Pvt Ltd)	Shared common directors (Pramod Ahuja, Rana Gill) with Best (S. No. 16) As on March 31, 2013, it's 67% shareholding was held by Best (S. No. 16).	
18	Modland Wears Private Limited	As on March 31, 2012, it's shareholding pattern was as followed : Best (S. No. 16) – 50%, Best Cure (S. No. 17) – 50%	2011-12
19	Rexcin Finance Private Limited	As on March 31, 2014, it's 50% shareholding was held by Best Cure (S. No. 17). Shared common directors (Pramod Ahuja, Rana Gill) with Best (S. No. 16), Best Cure (S. No. 17)	2013-14
20	Best Medicines Pvt Ltd (New Name - Best Health Management Private Limited)	As on March 31, 2012, it's shareholding pattern was as followed: Best (S. No. 16) – 67%, Best Cure (S. No. 17) – 33%. Shared common director (Ravi Kohli) with Ligare and Adept (S. No. 14, 15) Shared common director (Rana Gill) with Adept, Best, Best Cure, Rexcin (S. No. 15, 16, 17, 19)	2011-12
21	Artifice Properties Private Limited	Shared common address (170, Madhuvan, Delhi) with Best Medicines (S. No. 20) Shared common director (Ravi Kohli) with Ligare, Adept, Best Medicine (S. No. 14, 15, 20). As on March 31, 2013, it's shareholding pattern was as follows: Saubhagya (S. No. 30) – 33%, Tiger (S. No. 28) – 33%, Zolton (S. No. 29) - 33%.	2012-13
22	Ranchem Private Limited	Shared common director (Pramod Ahuja) with Best, Best Cure, Rexcin (S. No. 16, 17, 19). Shared Common directors named Hemant Dhingra with ANR Securities Private Limited (Sr. No. 12) As per RHC Holding Annual reports, MMS and SMS were able exercise significant influence over the entity and which became subsidiary of RHC Holding in 2014.	2011-12
23	Addon Realty Private Limited	Shared common director (Rajveer Singh) with Best Medicine (S. No. 20) Shared common director (Gurpreet Singh Sodhi) with Ranchem (S. No. 22)	2016-17
24	AD Advertising Private Limited	Shared common director (Gurpreet Singh Sodhi) with Ranchem, Addon Realty (S. No. 22, 23); As on December 2015, 50% shareholding was with Rosestar Marketing (Sr. No. 25) and 50% was with Volga Software Private Limited	2014-15
25	Rosestar Marketing Private Limited	Shared common director (Gurpreet Singh Sodhi) with Ranchem, Addon Realty, Ad Advertising (S. No. 22, 23, 24)	2015-16

Sr. No.	Name & PANs of the entities	Basis of Connection	Relevant Year*
		Shared common director (Prem Lata) with Ad Advertising (S. No. 24) As on September 2015, 50% shareholding was with Ad Advertising (Sr. No. 24) and 50% with Volga Management and Consultancy Private Limited.	
26	Fern Healthcare Private Limited	Shared common director (Deepak Poswal) with Rexcin (S. No. 19) Shared common director (Ruby Gabadia) with Artifice (S. No. 21) As on March 31, 2012, it's 28% shareholding was held with Best (S. No. 16) and 24% by Modland (S. No. 18); Wef, FY 2014-15, Best and Modland held 50% each Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland (S. No. 18)	2011-12
27	Torus Buildcon Private Limited	Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland, Fern (S. No. 18, 26) Shared common director (Ruby Gabadia) with Artifice, Fern (S. No. 21, 26). As on March 31, 2016, it's shareholding pattern was as followed: Saubhagya (S. No. 30) – 50%, Tiger (S. No. 28) – 50%.	2015-16
28	Tiger Developers Private Limited	Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland, Fern, Torus (S. No. 18, 26, 27). Shared common director (Bela Rajput) with Torus (S. No. 27). As on March 31, 2016, it's shareholding pattern was as followed: Saubhagya (S. No. 30) – 33%, Zolton (S. No. 29) – 33%, Artifice (S. No. 21) - 33%.	2015-16
29	Zolton Properties Private Limited	Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland, Fern, Torus, Tiger (S. No. 18, 26, 27, 28). As on March 31, 2016, it's shareholding pattern was as follows: Saubhagya (S. No. 30) – 33%, Tiger (S. No. 28) – 33%, Artifice (S. No. 21) - 33%.	2015-16
30	Saubhagya Buildcon Private Limited	Shared common address (1101, Tolstoy House, Tolstoy Marg, New Delhi) with Adept (S. No. 15) Shared common director (Anuj Chowdhry) with Ligare, Adept (S. No. 14, 15) As on March 31, 2013, it's shareholding pattern was as followed: Zolton (S. No. 29) – 33%, Tiger (S. No. 28) – 33%, Artifice (S. No. 21) -33%.	2012-13

Sr. No.	Name & PANs of the entities	Basis of Connection	Relevant Year*
31	Lowe Infra and Wellness Private Limited	As on March 31, 2012, it's 84% shareholding was held by Ms. Shabnam Dhillon, who is the wife of Mr. Gurinder Singh Dhillon. MMS and SMS submitted that they were disciples of Mr. Gurinder Singh Dhillon of Radha Saomi Satsang Beas and the latter was a father figure for them.	2011-12
32	Fortis Global Healthcare Ltd	RHC Holding was its holding company and it shared common director (Hemant Dhingra) with Ranchem (S. no 22), EHIRCL (S. no 3), ANR (S. no 12) & Shimal (S. no 11)	2011-12

Therefore, it was alleged that all the Noticees No. 1-25 have violated the provisions of Section 12A(a),(b) & (c) of the SEBI Act, 1992 and Regulations 3(b),(c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003, by aiding and abetting the routing of funds from FHL, ultimately to RHC Holdings, for the benefits of the promoter entities.

12 The structured movement of funds from subsidiaries of FHL to three borrower companies also resulted in artificial inflation of bank balance of FHsL as well as misrepresentation in the consolidated financials of and non-disclosure of material information in subsidiaries' financials and consequently in FHL's consolidated financials during the FYs 2016-17 and 2017-18. Thus the consolidated financials of FHL were observed to be untrue and misleading for the shareholders of the listed company during the IP. Also, by routing of funds through 3 borrower entities in a structured manner during the IP for benefit of the promoters of the listed company, FHL circumvented the provisions pertaining to related party transactions. This resulted in violation of Sections 12A(a), (b), (c) of the SEBI Act, 1992 and Regulations 3(b),(c) & (d), 4(1) and 4(2)(f) & (r) of SEBI (PFUTP) Regulations, 2003 as well as Clauses 32, 49(IV)(A of the Listing Agreement, 49(I)(C)(1)(a) & (d); 49(VII)(D); 49(VIII)(A)(1) of the Listing agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA,1956; Regulations 4(1)(a),(b),(c),(d),(g),(h),(i),(j), 23(2), 30(1),48, 51(1) and 53(f) of SEBI (LODR) Regulations, 2015. In this regard, apart from FHL, being the listed company, Mr Sandeep Puri (Noticee No.30) who was

one of the CFOs of FHL who certified the consolidated financials of FHL during a part of the period of investigation (FYs 11-12 and 13-14) is also *prima facie* found to have violated the aforementioned provisions of SEBI Act, SEBI (PFUTP) Regulations, 2003, SEBI (LODR) Regulations, 2015 and the provisions of Listing Agreement. Further, The CEO / CFO certificate *inter alia* issued by Mr Sandeep Puri, in the Annual Reports of FHL during the IP *inter-alia* stating that "*the financials of FHL presented true and fair view of its affairs and not containing any misleading statement*" was misleading and thus they violated the provisions Clause 49(V) of the Listing Agreement; Clause 49(IX) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956 and Regulation 17(8) & 33(2)(a) of the SEBI (LODR) Regulations, 2015.

13 With regards to the loans/ICDs discussed inthe preceding paragraphs, based on available information, it was observed that the said loans / ICDs were approved by the following N, viz. Mr.Anurag Yadav, Mr. Aditya Vij, Mr. Vishal Bali, Mr. Balinder Singh Dhillon, Mr. Jasbir Grewal, Mr. Anurag Kalra, Mr. Sandeep Puri, (Noticees No. 32, 33, 27, 28, 29, 31, and 30), being the members of the Treasury Committee/ Executive Committee of FHsL) and Mr. Asish Bhatia, Mr.Daljit Singh and Mr. Preetinder Singh Joshi (Noticees No. 34, 35 and 37) were non-independent Directors of FHsL who had participated in Board meetings of FHsL wherein loans to the borrower companies were approved in FY 2013-14 as well as the meeting in which the power to grant loans/invest funds was delegated by the Board to certain persons. Dr. Ritu Garg Noticees No. 36) regularly attended meetings of the Board during her tenure especially in the FY 2016-17 and also attended such meetings where the financials of FHsL were approved by the Board. It was seen that the said loans were approved by the aforesaid individuals at different point of time during the IP without adequate due diligence, rationale or discussions amongst the persons approving grant of such loans.In view of the above, it is *prima facie* observed that the abovementioned non-independent directors of FHsL viz, Mr Aditya Vij, Mr Sandeep Puri, Mr Ashish Bhatia, Mr Daljit Singh, Dr Preetinder Singh Joshi and Dr

Ritu Garg along with Mr Anurag Yadav, Mr Vishal Bali, Mr Balinder Singh Dhillon, Mr Jasbir Singh Grewal and Mr Anurag Kalra (being the Executive Committee/ Treasury Committee members of FHsL) had failed to carry out adequate due diligence and exercise independent judgment with respect to the grant of loans / investments by FHsL to the three 3 borrower companies during the period of investigation. Thus they also aided in the misuse and diversion of public shareholders' funds through the 3 borrower companies for the benefit of RHC Holding and consequently MMS & SMS. Thus, all the above persons were observed to have violated the provisions of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4(1) of the SEBI (PFUTP) Regulations, 2003.

14 Mr. Balinder Singh Dhillon (Noticee No. 28), Mr. Sunil Godhwani (Noticee No. 38), Mr. Ravi Umesh Mehrotra (Noticee No. 39) and Mr. Harpal Singh (Noticee No.40) were *inter alia* the non-independent directors of FHL during the time when the entire process of lending of funds to the 3 borrower entities (which led ultimately to diversion of funds of a listed company) took place through a structure duly approved by the Board of directors of FHL. They were part of the Board that had approved the grant of loan to FHsL for further investment in 2011-2012 and were duty bound to ensure that the said fund was invested for betterment of the company by periodic monitoring of the same. On the basis of information furnished by FHL, it was *prima facie* observed that the details of the investments made by the company and its subsidiaries including FHsL was regularly placed before the Board of FHL during the period of investigation and the same contained details of funds in ICDs with 3 borrower companies. Also, in the respective Board meeting minutes, the Board duly took note of the said investments as well as the consolidated financials of the company, to which they had raised no objection. It was observed that the initial ICDs to the 3 borrower companies during December 2011 were issued with the condition that the borrower companies will repay the same to FHsL by March 2012. However, the borrower companies were unable to repay this ICD on time and hence, the maturity date of this ICD was extended multiple times till July 2015. Despite the fact that the borrower companies were not able to repay the initial ICD on time, several

other ICDs were granted to the same borrower companies. This should have been questioned by the Board of FHL of which the four individuals named above were members. In view of above, it is concluded that the said non-independent directors of FHL failed to discharge their duties in a manner so as to ensure effective monitoring of the management of FHL and to act with due diligence and care, which was required in the best interest of the listed company and its shareholders. Therefore, it is alleged that the non-independent directors of FHL viz. Mr Balinder Singh Dhillon, Mr Harpal Singh, Mr Sunil Godhwani and Mr Ravi Umesh Mehrotra failed to abide by the principles governing disclosures and obligations as prescribed with respect to listed companies and thus, violated the provisions of Clause 49(I)(D) of the Listing Agreement, Clauses 49(I)(D)(1)(b); 49(I)(D)(2)(f); 49(I)(D)(3)(c),(f),(g),(i),(l), 49(II)(E)(2) of the Listing Agreement read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA,1956 and Regulations 4(2)(f)(i)(2); 4(2)(f)(ii)(6); 4(2)(f)(iii)(1)(3),(6),(7),(9),(12) & 26(3) of SEBI (LODR) Regulations, 2015.

15 It is observed that Mr Brian William Tempest (Noticee No. 41), Mr Harpal Singh (Noticee No. 40), Mr Pradeep Raniga (Noticee No. 42), Dr Preetinder Singh Joshi (Noticee No. 37) and Lt Gen Tejinder Singh Shergill (Noticee No. 43) were the members of the Audit and Risk Management Committee of FHL {known as Audit, Risk & Controls Committee before May 29, 2014}. It is noted that in any listed company, the Audit Committee is expected to play a vital role as far as ensuring compliance with existing accounting standards, applicable laws and regulations are concerned. Further, it is seen from the copies of minutes of the FHL's Audit Committee meetings during the IP that the said members have periodically taken note of the consolidated financials of the company as well as recommended the same for the approval of the Board. Also in the said minutes, they reviewed the summary of quarterly financials of FHL's subsidiary companies including their investment details and duly took note of the same. In this regard, considering the manner in which the loans/ICDs were approved and the pattern of consequent fund movement, it is alleged that had the Audit Committee questioned the rationale for

grant of loans/ICDs to the same 3 entities despite delays by them in repayment of the initial loan till next 3-4 years, the subsequent default by the said borrowers and diversion of funds could have been checked and avoided. In view of the above, it is observed that Mr Brian William Tempest, Mr Harpal Singh, Mr Pradeep Raniga, Dr Preetinder Singh Joshi and Lt Gen Tejinder Singh Shergill failed to discharge their duties as members of the Audit Committee of a listed company and hence, did not complied with the provisions of Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015.

16 It was *prima facie* observed that Deloitte Haskins & Sells LLP ("Deloitte") were the Statutory Auditors of FHL during the period when misrepresentation of financial statements of FY 2016-17 and first quarter of 2017-18 took place and it is therefore alleged that their signatory to the financial statements viz, Mr Rashim Tandon (Noticee No.45) had failed to comply with Code of Ethics issued by ICAI and conduct the audit in accordance with the auditing standards generally accepted in India. Also, Mr Tandon certified that the audited financial statements of FHL for the FY 2016-17 (audited financials for FY 2017-18 were qualified) were free of material misstatement and gave an unqualified opinion that the said financial statements were giving a true and fair view, without having reasonable basis for the opinion. Thus, he was observed to not have complied with standards of audit as prescribed by ICAI in SA 200, SA 240 as well as Guidance notes of Loans & advances and Guidance notes on cash and bank balances. In view of above, it was alleged that Mr. Rashim Tandon has indirectly aided in misrepresentation and non-disclosure of material information in consolidated financials of FHL during relevant period of IP and thus, violated the provisions of Sections 12A(a), (b), (c) of the SEBI Act, 1992 and Regulations 3(b),(c) & (d), 4(1) and 4(2)(f) & (r) of SEBI (PFUTP) Regulations, 2003.

17 The aforesaid violations were alleged in the SCN dated April 9, 2021, issued to the Noticees wherein it was further stated that, if established, the said violations made the Noticees liable for penalty under section 15HA and 15HB of the SEBI Act, 1992. The contents of the said provisions of law is reproduced herein below:

[Penalty for fraudulent and unfair trade practices.

15HA.*If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher*].

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.]*

18 The Noticees were therefore, called upon to show cause as to why an inquiry should not be held against them in terms of Rule 4 of SEBI Adjudication Rules and penalty should not be imposed under Sections 15HA and 15HB of the SEBI Act, 1992 for the aforesaid alleged contraventions by the Noticees.

<u>SERVICE OF SHOW CAUSE NOTICE, REPLIES AND HEARING</u>

19 Before proceeding further in this order, it must be noted that the present adjudication proceedings have already been disposed against 6 entities, viz. Religare Finvest Limited, Vishal Bali, Balinder Singh Dhillon, Sandeep Puri, Aditya Vij and Rashim Tandon (the Noticees No. 4, 27, 28, 30, 33 and 45) (settlement orders for the 5 entities and

1 AO order passed on merits respectively). Therefore, in the present order, I shall be dealing with the remaining 39 entities.

20 The SCN was sought to be served upon the Noticees through post, electronic mail as well as through substituted modes of services. The details of the service of the SCN, replies received and hearings provided to the Noticees are tabulated herein below for ease of reference:

Sl.	Entity	Status
1.	Best Healthcare Private Limited.	SCN served. Hearing conducted. Written submissions filed.
2.	Fern Healthcare Private Limited.	SCN served. Hearing conducted. Written submissions filed.
3.	Modland Wears Private Limited	SCN served. Hearing conducted. Written submissions filed.
4.	Escorts Heart Institute and Research Centre Limited	SCN served. Hearing conducted. Written submissions filed.
5.	Daljit Singh	SCN served. Hearing conducted. Written submissions filed.
6.	Ligare Aviation Limited (formerly - Religare Aviation Limited)	Written submissions filed. Has waived the opportunity of personal hearing.
7.	Sunil Godhwani	SCN was served on the last known address but no response was received. Thereafter opportunity of personal hearing was provided on April 19, 2022, vide newspaper ubication dated April 13, 2022. He had responded only on April 28, 2022, seeking a copy of the SCN and time for filing of reply, much later than the stipulated time period, despite a copy of the SCN already served on him and the same also being available on the website of SEBI. The request was therefore not acceded to.
8.	Fortis Healthcare Holdings Private Limited	SCN served through newspaper publications on August 9, 2021 and

		April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
9.	RHC Finance Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
10	Shimal Healthcare Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
11	ANR Securities Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
12	Oscar Investments Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
13	Adept Lifespaces Private Limited (Formerly - Adept Creations Private Limited)	SCN served and reply filed. Hearing concluded. Reply filed.
14	Best Cure Private Limited (New Name - Devera Developers Pvt Ltd)	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was

		also attempted to be served through email. No response received.
15	Rexcin Finance Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
16	Best Medicines Pvt Ltd (New Name - Best Health Management Private Limited)	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
17	Artifice Properties Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
18	Ranchem Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
19	Addon Realty Private Limited	SCN served and Reply filed vide letter dated August 31, 2021. Hearing could not be given as responded only on April 19, 2022 (i.e., the date of hearing). Thereafter vide email dated April 24, 2022, they reiterated that they shall be relyng on theur reply dated August 31, 2021. Further opportunity of hearing was provided on May 11, 2022. However, the entity reiterated that they shall be relyng on theur reply dated August 31, 2021.
20	AD Advertising Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.

21	Rosestar Marketing Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
22	Torus Buildcon Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
23	Tiger Developers Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
24	Zolton Properties Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
25	Saubhagya Buildcon Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
26	Lowe Infra and Wellness Private Limited	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.
27	Fortis Global Healthcare Private Ltd	SCN served through newspaper publications on August 9, 2021 and April 13, 2022 and opportunity of hearing was provided on April 19, 2022. SCN and hearing Notice was also attempted to be served through email. No response received.

28	Jasbir Grewal	SCN was served through post. Opportunity of hearing provided vide email dated May 28, 2021 on June 15, 2021. Did not respond. Hearing provided on May 11, 2022. Reiterated the submissions made by him vide his earlier replies.
29	Anurag Kalra	SCN served. Hearing conducted. Written submissions filed.
30	Anurag Yadav	SCN served. Hearing conducted. Written submissions filed.
31	Ashish Bhatia	SCN served. Hearing conducted. Written submissions filed.
32	Ritu Garg	SCN served. Hearing conducted. Written submissions filed.
33	Preetinder Singh Joshi	Replied to the SCN. Hearing held. Submissions filed.
34	Ravi Umesh Mehrotra	SCN was attempted to be served through post which had returned undelivered. Notified through news paper publication on 9.8.2021 as well as email dated 22.07.21. The email had not bounced back. Further notified of the hearing scheduled on April 19, 2022 vide news paper publication dated April 13, 2022. Dis not respond.
35	Harpal Singh	Replied on 20.04.2021 and 14.06.2021. Opportunity of hering was provided on June 15, 2022. Did not seek hearing. Further notified of the hearing scheduled on April 19, 2022 vide news paper publication dated April 13, 2022. Did not respond. Opportunity of hearing provided on May 11, 2022. Sought adjournment on the ground of personal difficulties of his lawyer. No further adjournment granted.
36	Brian William Tempest	SCN was attempted to be served through post which had returned undelivered. Notified through news paper publication on 9.8.2021. Further notified of the hearing scheduled on April 19, 2022 vide news paper publication dated April 13, 2022. Did not respond.

37	Pradeep Raniga	SCN was attempted to be served through post which had returned undelivered. Notified through news paper publication on 9.8.2021. Further notified of the hearing scheduled on April 19, 2022 vide news paper publication dated April 13, 2022. Did not respond.
38	Lt. Gen. Tejinder Singh Shergill	Replied to the SCN vide email dated June 15, 2021. Opportunity of hearing provided on April 19, 2022 vide newspaper publication dated April 13, 2022. Did not respond. Opportunity of hearing provided on May 11, 2022. Reiterated the submissions made by him vide his earlier replies.
39	HEMANT DHINGRA	Reply filed vide letter dated October 13, 2021. Hearing was sought to be provided on April 19, 2022, informed through news paper publication dated April 13, 2022. Responded on May 3, 2022, stating that they had not seen the newspaper publication on time. Therefore, no further scope of hearing provided.

21 It is noted that none of the Noticees who have replied/responded to the SCN, have generally not disputed the findings mentioned in the preceding paragraphs. They have either sought to interpret the said findings in a way that absolves them of any culpability and/or pleaded ignorance about the facts as detailed in the findings of the investigation. Based on the role played by the Noticees, they can be broadly categorized into three distinct sets for the purposes of the present adjudication. The Noticees No. 1, 2 and 3 were the three '*borrower entities*' to whom the ICDs/short term loans were granted by FHL through FHsL and who allegedly in turn had routed the funds through a chain of *conduit entities* (Noticees No. 4-26) to finally make the said amounts of money to reach the promoter entities of FHL/FHsL. Thus, the roles of the Noticees No. 1-3 were similar to each other; so were the roles of the Noticees No. 4-26 and the roles of the remaining Noticees (No. 27-45) although not exactly identical to each other, but can be clubbed together on the basis of the aforesaid

commonality of being the *Directors/ Key managerial personnel of FHL and/or FHsL* at the relevant point of time.

22 **Submissions of Best, Fern and Modland (Noticees No. 1, 2 and 3):**

I. **Best** (Submissions made vide letters dated June 28, 2021, 20.07.2021,10.11.2021and during the hearing held on June 29, 2021):

a) The investigation report of SEBI, whichserved as the foundation for the present Adjudication process, has not been given to the Noticee, which has hindered the ability of the Noticee to controvert the charges levelled against it in the SCN.

b) During the period under consideration the management and ultimate beneficiaries of the Noticee were totally unrelated to FHL/Fortis Hospitals Limited (FHsL) and that the Noticee was not the related party to either FHL/FHsL or its promoters.

c) The Noticee and RHC Holding Private Limited “RHC Holding” (alleged beneficiary of moneys advanced by FHSL/ FHL) too were unrelated entities during the period under consideration.

d) There is no common shareholding of the Noticee either with RHC Group (Allegedultimate beneficiary) or FHsL (the lender)/FHL.

e) MSA report has nowhere concluded that Noticee was involved inany fraudulent or deceptive activities.

f) Ms. Rana Gill was common director with Noticee and Adept (Noticee No. 12) during the period 12/12/2011 to 13/02/2014, but Adept was not either aborrower from Fortis or lender to Noticee. Adept was a third party and thereis no mention of it influencing the loan transaction between Fortis and Noticee.

g) There is no indication in SCN or MSA report that Noticee has made any misrepresentation and influenced the lender in any manner. If the Lender is not influenced in any manner by the borrower than there is no wrongful gain attributable to the borrower.

h) Merely other Noticees being the shareholders of the Company, an entity cannot be implicated for charges as grave as Fraud and Misrepresentation especially without explaining as to how merely other Noticees being the shareholders of an entity, the Noticee alleged to be in violation of provisions of SEBI (PFUTP) Regulations.

i) The Noticee's had made repayment of the said Rs. 98 crores received from FHsL @ 13% p.a. for discharging its liability on pre-existing loan taken from Torus (Noticee No. 20) which was at higher rate of interest (14.75% p.a) thereby the Noticee had judiciously utilised money on account of making repayment of loan bearing a higher rate of interest.

j) No amount is outstanding as receivable from RHC Holding or its then groupcompanies as on date and this fact is also not considered by MSA Report or SCN.

k) Noticee as it is not alleged to be involved in decisionmaking process of buying the land. Noticee was not part of transaction whensuch land deal happened in June/July 2011. The loan was granted in December2011 and in any case, the loans were fully paid back to FHsL, along withsubstantial interest, by the Noticee by the end of FY 2015-16.

l) Out of Rs 576 Crore (Rs. 176 Crore given to Best) mentioned as 'transferred" by MSA whereas all the loans were given by Fortis to borrower companies were oncommercial terms.

m) The Loan agreements/addendums were duly executed by both the parties atthe time of granting of loans or for extension of repayment period from timeto time and even after March 2012 as these were commercial in nature.

n) Out of total amount which is the purported outstanding of FHsL in the SCN, Noticee`s linkage/involvement is being inferred on the sole ground that Rs. 155.07 crores that Noticee borrowed from FHsL in July, 2017remained outstanding. It is pertinent to note that there was no malafide and fraudulent intention of the Noticee as it was paying interest to FHsL. The SCN has ignored the fact that the said amount remained outstanding on accountof Daiichi Sankyo litigation which has stalled Noticee's money lending business and capacity to take loan.

o) Both Secured and Unsecured Loans were given by FHsL at their discretion.

p) That in the present case, initial loans (2011-2015) were unsecured which werelater converted to secured.In any case all initial loans have been repaid in fulland there is no adverse finding by either SEBI or MSA.

q) In the present case, all loans were sanctioned as short Term and was for less than a year later these were given for very short period (Ranging from 2 daysto less than 100 days) based on the due diligence carried by Fortis. There is no evidence brought on record by SEBI's investigation that the Noticee was aware of which itwas being used for some fraudulent activities and was knowingly participating inthe same.

r) At page 51 of the SCN, it is observed "*in the books of FHsL, ICD amount of Noticeewas increased from Rs 98 crores to Rs 150 crores."* The reality is Rs 98 crore wasa separate loan given by FHSL vide agreement dated 2nd January 2017 which wasfully repaid on 31st March 2017 and Rs 150 Crores was a separate loan transactionwhich happened on 3rd April 2017, vide agreement dated 1st April 2017.

s) At page 52 where Noticee name appear, *"…… to the extent of Rs 50 crores wastransferred from Modland to Best (which was a mere book entry) ……."* In realityit was a loan and not a transfer and the money was paid through bank and it was NOT a book entry.

t) At page 55, table 22, of SCN states that the total fund diverted to RHC isamounting to Rs. 397.12 Crores. But At page 22 para 4.2.3.2 of MSA Reportstates that ultimate utilization of funds Rs. 203 Crores by RHC and Rs. 200 Croreby RFL.

u) FHsL and FHL though beneficiaries earning huge interest amounts and alsobeing the entities who have actually defaulted in appropriate disclosures and complying with applicable SEBI Regulations are not even Noticees.

v) There is no mention of any benefit accruing to the Noticee out of its alleged acts.

w) At the outset, it is pertinent to mention that Noticee is a private limited company and has no business with the securities market and does not come under the ambitof SEBI Act, 1992.

x) The rationale for undertaking transactions of receiving and giving on the very same date is the internal policy of the Noticee to deploy the funds in the efficient manner and without having any additional cost. Best had either earned interests on the loans given out by it or has paid interest on the loans taken by it.

y) With regard to your query that by undertaking 5 transactions of 30 crores on the same day, we have helped FHsL to inflate its asset and thus which led to misrepresentation of the Financial Statements of FHsL/FHL. In this regard, it is submitted that any loan given byan entity is held as an asset in its books of account and if the entity gets the repayment of such loan then cash comes in bank account which is also classified as an asset. Therefore, since it is a conversion of one form of asset to another form, there is no question of inflation of assets in the books of accounts.

z) Though MSA was mandated to find the diversion of funds but no diversion of funds was concluded by MSA. As at page 22 para 4.2.3.2, it merely concluded the “ultimate utilization” of funds was Rs 402.43 crores. It may be noted that the terms “diversion” and “ultimate utilization” are not interchangeable. The Diversion has been concluded by the SCN which is based on the MSA report. SCN at page 55, table 22, states that the total fund diverted to RHC is amounting to Rs. 397.12 Crores. It is not clear how SCN reaches a conclusion of diversion when its root report (MSA) could not find any diversion.

aa) With regard to the observations in MSA report on page no. 14 that “the amount of Rs. 75 Crore has actually been received from FHsL that has been routed through Modland. Thus, this is not an actual payment”. One fails to comprehend that if the amount has been received from FHSL through bank account then how the ultimate source could be Modland which has been so highlighted in the table and how could it be described as a “not an actual repayment”.

bb) Nowhere in the SCN has it been demonstratively alleged that the Best had colluded or connived with the management of FHL / FHsL in any manner.

cc) Best also had Commercial loan transactions with other entities in line with the business of the Company. Details of Inter Corporate Loans taken and outstanding as on 31.03.2017 alongwith copy of loan agreements are attached as page no. 1-31 (through Index) of Annexure-1, Details of Inter Corporate Loans given and outstanding as on 31.03.2017 alongwith copy of loan agreements are attached as page no. 32-103 (through Index) of Annexure-1 & 26AS for F.Y. 2016-17 as page no. 104-106 (through Index) of Annexure-1 and other agreements are attached as page no. 107 to 110 (through index) of Annexure-1.

dd) Even the share price of Fortis which was Rs 123 in March 2018 stands at Rs 280 (as on 04.10.2021) even after unilaterally providing outstanding loan as doubtful in their books in the Financial Year 2017-18. So there is no loss attributable to the investors as alleged.

ee) That there is nothing placed on record to demonstrate any relationship between Best and FHMNL or RHC holding and related entities.

ff) It is referred in Para 10.3.5, Table 17 Page 48 to 49 that Best diverted Rs. 98 Crores obtained from FHsL to RHC. We herein reiterate our submissions made in Para 3.1 above which substantiate that the funds were duly used for repayment of loan to Torus and and hence no diversion can be alleged.

II. **Fern** (submissions which are common to that of Best and Modland are being omitted from reference to avoid repetition):

a) Ms. Ruby Gabadia was common director with Noticee and Artifice (Noticee No. 16) during the period 05/03/2012 to 13/02/2014. Further, Mr. Deepak Poswal was common director with Noticee and Rexcin (Noticee No. 14) during the period 05/03/2012 to 13/02/2014. Both Artifice and Rexcin were third parties and there is no mention of them influencing the loan transaction between Fortis and Noticee. To establish a connection of fraud there has to be a relationship of Giver (lender) & taker (Borrower), which is non-existent in this case.

b) Noticee had provided a loan of the amount of Rs. 175 Crores received from FHsL @ 14.50% to ANR on 04.04.2016 which has been repaid by ANR to Noticee within two days i.e. on 06.04.2016. Therefore, the transaction got squared off within two days. Since the loan given to ANR was repaid within two days, there could not be any element of diversion.

c) SEBI does not even mention the amount of Rs. 106.03 Crore in the said para 10.3.3. Hence, The diversion of Rs. 106.03 is not established by SCN and to the extent, the allegation is inaccurate and frivolous.Even further, the MSA Report claims at page 4 that amount outstanding is 105 crore but SCN claims the diversion of 106.03 crore.

d) the charges are made and SCN issued although there is no evidence brought on record by SEBI's investigation that the Noticee was aware of which it was being used for some fraudulent activities and was knowingly participating in the same.

e) With regard the observations in MSA report, the MSA report incorrectly states on page no. 15 of the report that "the amount of Rs. 25 Crore has actually been received from FHsL that has been routed through Modland. Thus, this is not an actual payment". However, the explanation offered, as well as the supporting annexures supplied by MSA at page 20 of Annexures to MSA Report to support the stated claim, plainly show that Rs. 25 crores received by FHsL came from the Noticee by cheque no. 475240.

f) At page no. 20 and 22, MSA report states that on 04/04/2016 the amount of Rs. 175 Crore has been paid by Fern to ANR and ANR paid Rs. 175 Crore to RHC, but it has not been mentioned / observed that Fern has paid to ANR as commercial loan @ 14.50% and earn interest income, further on 06/04/2016 ANR has made the refund of the amount of Rs. 175 Crore to Fern. The loan amount of Rs. 175 crores dated 04.04.2016 cannot in any way related to the outstanding loan dated 01.07.2017.

g) In table 8 at page no. 22 of SCN, SEBI showed that the ultimate beneficiary of Rs. 80 Crore was RHC. However, the fact is that the Noticee received Rs. 80 Crore from FHL/FHsL and paid to Saubhagya.

h) With regard the observations in MSA report on page no. 15 states that "the amount of Rs. 25 Crore has actually been received from FHsL that has been routed through Modland. Thus, this is not an actual payment". One fails to comprehend that if the amount has been received from FHSL then how can the ultimate source could be Modland which has been so highlighted in the table.

III. **Modland**(submissions which are common to that of Best and Fern are being omitted from reference to avoid repetition):

a) As per SCN table 22 at page no 55, it is observed in the SCN that the ultimate beneficiary of Rs. 193.09 crores, out of 200 Crores, is RHC. In this regard, the Noticee submits that it has utilized Rs. 200 Crores (received from FHsL @ 13% p.a.) for discharging its liability on the pre-existing loan taken from Torus, which was at a much higher rate of interest (14.60% p.a), thereby the Noticee had judiciously utilised money on account of making repayment of loan bearing a higher rate of interest.

b) As far as ICD of Rs. 200 crores (in two tranches of 100 crore each) received on 04.04.2016 from FHsL is concerned, the said amount was duly repaid by the Noticee to FHsL on 30.06.2016 alongwith interest @13% P.a. amounting to Rs. 1,81,50,138/- (Net of TDS Rs. 3,70,410). Hence, the observation in the SCN that Rs. 193.09 crores (out of Rs. 200 Crores) were diverted is erroneous.As far as ICD of Rs. 200 crores (in two tranches of 100 crore each) received on 04.04.2016 from FHsL is concerned, the said amount was duly repaid by the Noticee to FHsL on 30.06.2016 alongwith interest @13% P.a. amounting to Rs. 1,81,50,138/- (Net of TDS Rs. 3,70,410). Hence, the observation in the SCN that Rs. 193.09 crores (out of Rs. 200 Crores) were diverted is erroneous.

c) The aforesaid observation of SCN is erroneous can further be substantiated from the fact that SCN table 22 at page no. 55 mentions of Rs. 93.09 Crores being diverted to RHC and reference has been made to para 10.3.3 – Instance 2. Instance-2 at page no. 28 depicts the fund movement of Rs. 100 Crores from Modland to Torus and ultimately to RFL but nowhere justify the contention of SCN (in table 22) of Rs. 93.09 Crores being transferred to RHC.

d) At page no. 28 and 29 of SCN Instance 2, states that "---From the above, it was observed that on receiving the amount from Torus, Addon Realty transferred Rs. 125 Crore to RFL on the same day, but actually Modland has made repayment ofloan @ 14.60% p.a. of Rs. 100 crore to Torus and saved its interest cost.

e) Modland has repaid the entire loan of Rs. 200 crores as well as also paid gross interest of Rs. 58.97 Crores and nothing is payable against the loan agreement dated 28.12.2011.

23 **EHIRCL**had responded to the SCN vide its reply dated June 11, 2021 and additional written submissions submitted vide email dated June 23, 2021 and oral submissions made during the personal hearing held on June 16, 2021. I note that while admitting that it was a wholly owned subsidiary of FHL (and therefore, under the control of the erstwhile management of FHL/FHsL), the submissions of the said Noticee are twofold:

a) There was no mala fide or lack of due diligence on the part of the Noticee in entering into the alleged transaction with Lowe Infra and Wellness Private Limited. The amount that was advanced by the Noticee to Lowe towards share purchase was fully received with the agreed rate of interest and therefore the Noticee did not suffer any loss out of the said transaction and as a result thereof, even FHL did not suffer any loss on extending financial assistance to the Noticee for the said transaction with Lowe. This was a genuine transaction for the Noticee and did not involve any siphoning of funds from FHL to any other entity by it.

b) The violations, as alleged, were committed by the erstwhile management of FHL (who had absolute control over the Noticee as well, the Noticee being a wholly owned subsidiary of FHL) who have been substituted by an entirely new management through a process initiated by the institutional investors of FHL and it shall be incorrect to penalize the Noticee for the fraudulent actions of its erstwhile management. This argument has been elaborated with reference to some of the judicial pronouncements on the subject and by bringing out various instances to show that the erstwhile management had perpetrated the alleged fraud inter alia on both FHL and the Noticee for their own benefit and the Noticee, under its present management has already taken several steps including filing of civil and criminal complaints against the erstwhile management for the fraud committed by the latter.

24 **Daljit Singh (vide his written submissions dated July 13, 2021 and during the hearing dated July 19, 2021):**

a) SEBI's refusal to allow the Noticee anopportunity to inspect the documents on basis of which serious allegations of fraud are levelled against him go against the basic principles of natural justice.

b) The Noticee's association with FHL during the Investigation Period was purely advisory in nature and he did not take any financial decisions/ was not part of the decisions undertaken to grant the loans/ ICDs to theBorrowers. It is pertinent to note that the Noticee was not a member of the Executive Committee or the Treasury Committee which approved the issuance of ICDs toBorrowers.

c) With respect to the Noticee's association with FHsL, it is submitted that as a non-executivedirector at FHsL, the Noticee was not directly involved with FHsL's day-today functioning and was not involved in FHsL's financial decision making.The decisions pertaining to such grant of loans/ICDs issued to the Borrowers were primarily taken by the management of FHsL and the Treasury Committee/ Executive Committee of FHL.

d) The Noticee had never approved any ICD issuances to the Borrowers as aboard member of FHsL and was thus never involved in the decision to grant the loans/ICDs to the Borrowers.

e) The sole instance where an approval was given for the placement of ICDs with Fern and Best in FY 2013-14 was in the board meeting ofSeptember 12, 2013. As per the minutes of the meeting, the Noticee was not present forthis specific board meeting.A copy of the minutes of the board meeting dated September 12, 2013 has been annexed to the reply of Mr. Daljit Singh.

f) As hereinabove submitted, the ICDs were primarily approved by the Executive Committee of FHL, and later the Treasury Committee of FHL. The concerned individuals in these committees had approved the grant of ICDs to the Borrowers. The Noticee was never a part of the Executive Committee or Treasury Committee of FHL.

g) It is alleged in the SCN that the Noticee had participated in the boardmeeting wherein the power to grant loans/invest funds was delegated by the board ofFHsL to certain persons. The Noticee was present in a board meeting of FHsL on November 12, 2014 wherein it was resolved thatcertain individuals are authorised to invest funds, grant loans, provide security orguarantee, for the purpose of the business of the company up to an aggregate amountof Rs. 2500 crore. However, merely granting an approval to issue loans or grant ICDs cannot be a ground to allege that the Noticee aided in the misuseand diversion of public shareholders' funds through the issuance of ICDs to theborrowers and the violation of provisions of PFUTP Regulations. The decision of the Hon'ble SAT in *Adi Cooperv. SEBI* (Appeal No. 124 of 2019, decided on November 05, 2019) was cited in this context.

h) The Noticee was not a director of FHMNL at the time of the first issuance of loan tothe Borrowers. Hence, at thetime of issuance of this loan, the Noticee was not associated with FHMNL and did notapprove this loan.

25 Submissions of **Addon Realty Limited** (vide letter dated August 31, 2021. Waived the opportunity of hearing):

a) The alleged transactions pertain to the period 2014 and 2016. The present notice has been issued after almost 7 years from the impugned transactions which amounts to inordinate delay thereby prejudicing the Noticee.

b) During the investigation conducted by SEBI, no explanation or information was sought from the Noticee. At the relevant time of impugned transactions, Mr. Gurpreet Singh Sodhi and Mr. Rajveer Singh were controlling and managing it.

c) As per the available records with the Noticee, Addon used to borrow funds from various entities as loans/ICDs including the entities referred in the SCN, in the ordinary course of business. The transactions qua Addon, which have been stated in the SCN, have been borrowing and repayment transactions in the ordinary course of business. There is nothing in the SCN to suggest that Addon was aware of the subsequent transfer of funds by Fern to various entities as set out in the SCN. Furthermore, none of the entities through whom the funds reached RHC were connected to Addon. Also, Addon was not aware of the transactions between Torus and Modland as set out in the SCN.

d) The Noticee was not aware that funds of FHL were moved out through its subsidiaries to three borrower entities. Further, the Noticee has not benefitted in any manner from the events alleged in the SCN.

e) The Noticee has not disputed its relation with Best Medicine/ Best Health Management and Ranchem based on the common directors they shared. Further the said Directors viz. Mr. Rajveer Singh and Mr. Gurpreet Singh Sodhi are no more associated with the Noticee since 2019. The present management of the Noticee did not have any knowledge of the directorship of the aforesaid individuals in any other company.

f) The violations alleged against the Noticee is not repetitive in nature and is based on two transactions carried out in the context of availing loan and its repayment.

26 Submissions of **Mr. Anurag Yadav** (During the hearing dated June 15, 2021 and vide letter dated June 16, 2021):

a) The Noticee was a mid-level employee of FHL and was not a member of Executive Committee and/or Treasury Committee of FHL. He has never attended any meeting of either Executive committee or Treasury Committee.

b) As a Chief Financial Controller, he had no authority to sign any Memorandum of Understanding, Inter Corporate Deposit Term Sheets and signing of financial instruments for the amount granted as loans to 3 borrower companies. The 3 MOUs entered into by FHL with Best, Fern and Modland were signed by the then CFO of FHL and not by the Noticee.

c) The Noticee has resigned from FHL on June 30, 2014.

27 Submissions of **Mr. Harpal Singh** (vide letter dated June 14, 2021):

a) The Noticee was an Executive Chairman of the Board of Fortis Healthcare Limited ("FHL") from 12th August 1999 to the 7th June 2007. Thereafter, from June 2007 to May 2018, he was a Non-Executive member of the Board. Since May 2007, he had not held any executive position other than as a non-independent non-executive member of the Board of Directors of FHL. He has also been a member of the FHL Audit Committee.

b) Having never held any position either as a member of the Board or in any of the committee of FHsL, the Noticee had no information or knowledge about loans advanced/Inter Corporate Deposits ("ICDs") granted by FHsL to the three referred companies - Best Healthcare Private Limited ("Best"), Fern Healthcare Private Limited ("Fern") and Modland Wears Private Limited ("Modland"), other than what was formally presented to the Board and Audit Committee of FHLand certainly not about their subsequent usage.

c) Investments in the referred three companies were consistently reflected in subsequent FHL Board and Audit Committee meetings only for purposes of noting. To the best of my information and recall, there was no mention in any of the minutes of the FHL Board and FHL Audit Committee or in the FHsL minutes reflecting any concern or problem related to such investments until the year 2017-18.It may be observed that in no instance is there any concern or reservation mentioned by FHsL or about there being any relationship between these companies and the Promoters.

d) Whilst being a non-independent non-executive member of the FHL Board, as already mentioned above, I was never a member of the Board, or any of theCommittees of FHsL, which is the Company that extended the loans to the three referred companies. No approval was sought or given by FHL for these loans.

e) The first indication of a problem was when information was received prior to a report published by Bloomberg on 9th February 2018 mentioning about a large outstanding due to FHL from parties related to the Promoters. Immediately on hearing of this report, the Chairman of the FHL Audit Committee met the Executive Management and set in motion a series of steps to address the issue to ensure that a proper investigation is done with full transparency, rigor and oversight.

f) It may be specifically recorded that neither were the loans to these three referred companies given by FHL, nor was there any approval given by FHL. The approvals were given by its subsidiary and more specifically by FHsL. The FHL Audit Committee or Board did not give any advice or grant approval for extending these loans, or know of there being any related party implications, as this was done under the sole and exclusive prerogative of the FHsL Board and its organization.

g) It is respectfully stated that the loans and investments made by FHL's subsidiary company FHsL were made by FHsL Management which had an Independent Board, Audit Committee, Auditors and Management. The disbursements of loans and investments included the loans extended to the three referred companies. No information was made available to the FHL

Board or its Audit Committee of where the monies against these loans were used.

h) The consolidated financial statements of FHL for the period from quarter ending June 2016 to quarter ending June 2017 is based on the audited statements received from FHsL. Before forwarding its quarterly statements, the FHsL Board would have surely considered the confirmation received from its Audit Committee and from its Auditors.

i) The fact that the loans were given by FHsL is true but to conclude that knowingly they were given with the intent of benefiting RHC Holding and in turn the Promoters, cannotbe concluded from any available record. If this be true at the level of FHsL, it is equally if not more true for FHL.

j) As a member of the FHL Board and as a member of its Audit Committee, the Noticee had exercised the well-established principles of governance in discharging his fiduciary duties.

28 **Ligare Aviation Limited** (submitted vide letters dated April 20, 2021 and June 10, 2021; waived the opportunity of personal hearing):

a) The information/ documents are pertaining to the financial Year 2013-14 and after that there was a change in the management of Ligare Aviation Limited and the present management took over the control with effect from January 14, 2016. After the takeover of the control by the present management, the entire erstwhile management team did not make themselves available to the present management for a transition and handover of the books, records and any affairs of the company. The Board of Directors of the company during the Financial Year 2013-14 were Mr. Sanjay Godhwani (Managing Director), Mr. Ravi Kohli (Director) and Mr. Anuj Chowdhury (Director).

29 Submissions of **Lt. Gen. Tejinder Singh Shergill** (Retd.) (vide letter dated June 14, 2021 and reiterated during the hearing held on May 11, 2022):

a) The Noticee was a Non-Executive Independent Director of the Board of FHL frm April 21, 2004 till September 27, 2013 and from February 12, 2018 till May 20, 2018. He has also been a member of the audit committee of FHL from February 2009.

b) The decision for making loans/ investments/ guarantees/ securities etc. was made in the ordinary course of business and pursuant to Section 292 of the Companies Act, 1956.

c) The Noticee was led to believe that the initial loan of Rs. 600 Crore was paid back to FHL. EHIRCL being a large and recognized going concern, with an independent Board, Management and investment policies from FHL, was bound to have done its proper due diligence before engaging in the business proposal. One independent Director on the Board of FHL was also a Director on the Board of EHIRCL. Therefore, it was the duty and responsibility of the said person to raise any issues to the Board and Audit Committee of FHL.

d) The actual statement of investments made by FHL presented to the Audit Committee highlighted ICD's for the Committee to note and there is no concern, adverse remark, or reservation mentioned by any of the subsidiaries regarding the loans and investments or there being any relationship between' these companies and the Promoters, as evidenced in the Board minutes where the Company Secretary regularly updated the Board that as per section 297 and 299 of the Companies Act 1956 and clause 49 of the Listing Agreement that there were no related party transactions and no entry was maintained in the Register under section 301 of the Act. Additionally, the due diligence on the ICD's/Investments was clearly the responsibility of the Finance/Treasury and FHL Management. Therefore, without any concern raised by management, on the due diligence, or by internal control, company secretary or statutory auditors of FHL at the Audit Committee, there was little cause for the Audit Committee to suspect wrong doings in the investments reported.

e) The loans extended to the three companies were managed by FHL's management and finance team and as far as the FHL Board was concerned it was reported that the loans were current from 2011 till I had left the FHL Board on 27.09.2013. I had rio other information or knowledge about loans advanced/Inter Corporate Deposits ("ICDs") granted to the three companies (Best Healthcare Private Limited, Fern Healthcare Private Limited and Modland Wears Private Limited) referred to in the Show Cause Notice, apart from what was formally presented to the Audit Committee of FHL. Further, I had no knowledge whatsoever, about their subsequent usage as highlighted in the Show Cause Notice.

f) FHsL was audited by a reputed audit firm, with bank accounts in reputed banks, along with its own independent management, internal controls and financial processes, especially for the disbursement of loans/investments and for the preparing their management and statutory financial statements. Post the consolidation of Accounts of the Subsidiaries, all matters referred by the management or by the Board of FHsL to the FHL Board and Audit Committee were therefore assumed to have followed good governance practices; including in-depth due diligence in their inter-corporate/lending operations and especially in preparation of their financial reports and accounts.

g) As reported in the MAS Report kindly provided by yourselves, in the absence of proper reporting by the Management, Auditors and Banks of FHL and FHsL; the Audit Committee could not possibly have foreseen the diversion of funds.

30 Submissions of **Adept Lifespaces Private Limited** (vide letter dated August 6, 2021, during the hearing held on April 28, 2022 and additional submissions dated May 2, 2022)

a) There was a loan of Rs. 36.5 crore given to Lowe infrastructure in December 2011 (Not to FHL/FHsL) under the written agreement and which was repaid by Lowe in August, 2012 (within 8 months).

b) During the period under consideration, for alleged transaction, the management and ultimate beneficiaries of the Noticee were totally unrelated to FHL and their promoters and that the Noticee was not the related party to either FHL or their promoters (RHC Holdings Pvt. Ltd.).

c) Neither the SCN, nor Forensic Audit Report (FAR) by MSA has made any observation of any loan amount being not repaid by Adept Lifespaces (Noticee hereunder) nor there is any observation made of any funds being received by Noticee from FHL and transferred to promoters of FHL.

d) As on date of transaction as pointed out in SCN i.e. 28th December 2011, neither Mr. Ravi Kohli was director of Noticee nor Noticee's shareholding was held withanother Noticee i.e. Best Healthcare.

e) there is no observation in SCN (substantiated from observation in Table 2 to Table 8 under Para 10) or Annexure thereof or FAR report which shows or allege that Noticee received funds from FHL and transferred these funds to RHC directly or indirectly. It is rather important to note that there is no allegation or observation at all against Noticee in the entire SCN except referring it as "conduit entities" although there is nothing on record either in SCN or any other Annexure to explain the reason for the same. More-so the SCN refers entities as conduit entities w.r.t. transactions which took place during the year 2016-2017 wherein an amount equivalent to Rs. 403 Crores remains payable to FHSL, although there is no transaction by or with Noticee (Adept) with any other Noticee during this period and no such transaction is even referred to in the SCN as well.

f) Further it was never called for any queries related to investigation by Luthra & Luthra conducted on behalf of FHL nor is its name mentioned in any of the complaint / documents. It may be noted that the investigation by Luthra & Luthra was initiated by FHL/FHsL and FHL/FHsL never mentioned the Noticee's name as there was no transaction with them.

g) Mr Anuj Chowdhry was though one of a Director in Adept Lifespaces or Ligare Aviation during the relevant date of transaction qua adept i.e. 28.12.2011 but its not clear how Mr. Anuj Chowdhry as one of the directors influenced Fortis /RHC for giving the loan to Lowe (a third party).

h) The diversion of fund of Rs. 397.12 as per table 22 (page 55) is from the LOANS TAKEN in 2016. It is not clear how a transaction of LOAN GIVEN in December, 2011 is related to the diversion.

i) in the present case, the observation so made in the SCN that Noticee held 50% shares of Best Healthcare is also erroneous or ill-conceived to the extent that as on the date of transaction qua Noticee (Adept) (i.e. 28.12.2011) the Noticee hereunder was not the shareholder of Best Healthcare and that it indirectly became shareholder of Best Healthcare only subsequently. The Noticee has annexed a certificate obtained from a company secretary stating that as on December 28, 2011, 50% of the shares of the Noticee were held by Greenline Buildwell Private Limited and the other 50% were held by Vectra Pharmaceuticals Private Limited.

j) Noticee fails to understand how giving a loan TO Lowe Infrastructure in December 2011 would lead to its name being dragged in thetransaction where the loans were given FROM FHL/FHsL to Best, Fern and Modland in April/May 2016. Two dates are 51 months apart.

k) SEBI do not have the power to adjudicate Noticee under provisions of PFUTP Regulation or provisions of Section 12A, as it is neither a listed entity nor it has any intention to list its shares in recognized stock exchanges and nor has it dealt directly or indirectly in securities.

31 **Submissions of Dr. Ritu Garg** (during the hearing held on April 7, 2022 and written submissions dated April 11, 2022):

a) The Noticee never had any knowledge about the existence of the loan transactions with the Three Borrower Companies.

b) There was no way for the Noticee to have known of or prevented the loan transactions with the Three Borrower Companies – in as much as the same was never approved by the Noticee; the loan transactions with the Three Borrower Companies were never brought before the Noticee for consideration during the time when the Noticee was on the board of FHsL; the Noticee was not a member of any executive committee or treasury committee of FHL or any other Fortis group company; and financial statements of FHsL which were audited by the statutory auditor of FHL and approved by the audit committee of FHsL, made no mention of the loan transactions with the Three Borrower Companies.

c) During her first stint at the Fortis group, the Noticee was never designated as a member of the board of directors of any companies in the Fortis group and had no role to play in any decisions pertaining to the financial transactions of Fortis Healthcare Limited ("FHL"), or any of its subsidiaries. The Noticee resigned from her role on September 5, 2014. On March 23, 2016, the Noticee was appointed as a non-executive director on the board of FHsL, a subsidiary company of FHL. At the juncture of her appointment as a non-executive director on the board of FHsL, the Noticee had absolutely no knowledge of any fraudulent activities taking place at the FHL level (which handled business matters of all of its subsidiaries, including FHsL). The Noticee resigned from the board of FHsL with effect from November 23, 2017.

d) In this respect, the Noticee would like to specifically highlight that the MSA Report did not make any adverse findings in relation to the individual role of the Noticee, in respect of the alleged violations. The Noticee submits that none of the material on which reliance has been placed by SEBI, including the MSA Report, demonstrates any wrongdoing on the part of the Noticee.

e) At no stage did the Noticee serve as a director or in the capacity of a key managerial personnel at the level of FHL (the parent company of FHsL). This fact assumes special importance in the context of the affairs of the Fortis group, where decisions in relations to investments and treasury matters were actually taken solely at the FHL level.

f) The audit committee of FHsL recommended the approval of the financial statements as well. Furthermore, the auditor’s report in respect of the aforesaid financial statements did not contain any qualifications, reservations or any adverse remark. It must be further noted that even the audit committee (which comprised of subject matter experts and an independent director) did not raise any adverse observations or remarks, or even mention the loan transactions with the Three Borrower Companies any point of time. In this backdrop, the Noticee had no reason to suspect any wrongdoing, especially as each of the aforementioned individuals were domain experts in financial matters.

g) At no stage did the Noticee serve as a director or in the capacity of a key managerial personnel at the level of FHL (the parent company of FHsL). This fact assumes special importance in the context of the affairs of the Fortis group, where decisions in relations to investments and treasury matters were actually taken solely at the FHL level.

h) SEBI itself only discovered irregularities following an investigation that involved a review of various sources of information, including the bank statements of the Three Borrower Companies, to which the Noticee had no access during her tenure as a non-executive director of FHsL.

i) When the Noticee re-joined the Fortis group on February 08, 2016, the loan transactions had been taking place for around five years.

j) During her tenure as a non-executive director, no meetings were held regarding any grant of loans to the Three Borrower Companies. That is to say, the Noticee was not, at any point in time, involved in any decision regarding grant of loans to the Three Borrower Companies and can accordingly not be held liable for the same, in as much as grant of the said loans was not the decision of the Noticee.

k) So far as the financial statements of FHsL are concerned, the Noticee submitted that of the nine board meetings held during her tenure, the Noticee was only present at one board meeting where the annual audited financials were presented without any red flag or concern, and therefore approved. The aforesaid financial statements did not contain any mention of the loan transactions with the Three Borrower Companies and also did not contain any qualifications, reservations, or adverse remarks in respect of any such loan transactions with the Three Borrower Companies. Additionally, the financial statements did not have any indication of untoward acts or falsification –

l) The Noticee was not a signatory to any loan agreements executed with the Three Borrower Companies, was not a party to any discussions or deliberations regarding the extension of the said loans, and did not approve any of the aforementioned loan transactions;

32 **Submissions of Mr. Ashish Bhatia** (during the hearing held on April 7, 2022 and written submissions dated April 11, 2022)

a) The Noticee submitted that at the time when a decision was taken to first extend the loans to the three Borrower Companies by FHMNL, he was not privy to any discussions, deliberations, decisions or approvals in respect of such extension of loans to the three Borrower Companies.

b) Noticee submitted the minutes of the board meeting of FHMNL in which the loan transactions with the three Borrower Companies were approved in the very first instance which clearly indicates that he was not present at the meeting and did not approve the loan transactions.

c) The Noticee submits that it was the EC of FHL that was responsible for making decisions in relation to the loans extended to the Three Borrower Companies on December 27, 2011. It is critical to note that at the aforementioned date when the loans were originally extended to the Three Borrower Companies by FHMNL, the Noticee was only a non-executive director of FHMNL and was not even present at the meeting of the board of FHMNL wherein such loan transactions with the Three Borrower Companies were approved.

d) in December 2013, the EC of FHL constituted the Treasury Committee ("TC") which was given the remit to "to decide on the affairs related to FHL & its Indian subsidiaries, excluding SRL". The aforementioned TC was constituted specifically with the view that it would look into and manage issues relating to (i) deployment of surplus funds of the entities – through both short term and long-term issuance of ICDs, (ii) ICDs/bank borrowings for short term and working capital funding, (iii) mitigation of foreign exchange risks through hedging, and (iv) to facilitate faster approval for the same. The Noticee submits that it was the TC which approved the loan transactions with the Three Borrower Companies and the Noticee had no power in relation to the same.

e) SEBI, as part of its investigation and under the terms of the SCN, has not set out any facts or material which indicates that the Noticee was aware of the aforementioned aspects and accordingly did not have any knowledge regarding the alleged violations. The Noticee further clarifies and submits that he has no direct or indirect relationship with the erstwhile promoters (other than his past professional association with them) and he has never been a director, key managerial personnel or employee of any of the Three Borrower Companies.

f) At the time when the merger of FHMNL with FHsL was undertaken, an assessment report on the recoverability of Inter Corporate Deposits dated July 01, 2013 was submitted by an independent chartered accountancy firm – Haribhakti & Co. ("Haribhakti Report"). The Haribhakti Report clearly and unequivocally affirmed that there was adequate asset coverage for the Inter Corporate Deposits taken by the Three Borrower Companies. It is the Noticee's humble submission that such an affirmation by an independent firm provided further comfort and the Noticee cannot reasonably be expected to have doubts and submissions regarding the nature of the loan transactions or the recoverability of the Inter Corporate Deposit amounts.

g) As the loan transactions (short term ICDs) undertaken were identical to the previous transactions – in respect of which due repayments had been received and on account of which FHL had benefited – he had drawn comfort from this context while providing approval in respect of the said transactions

h) Even though the Noticee was not involved in approving the initial loan from FHMNL to the three Borrower Companies, and his role was confined to acting in line with past practice and basis due diligence undertaken (including obtaining the Haribhakti Report), even then, in all such loan transactions, not only did FHsL receive the principal amount but also received the interest payment due, and there are no outstanding amounts in so far as the said loan transactions are concerned. Accordingly, in this respect, no financial loss was caused to FHsL in so far as these loan transactions are concerned.

i) Noticee has referred to the SCN which in paragraph 10.3.1(k) clearly acknowledges that "*RHC Holding was observed to have subsequently repaid Rs. 600 crores to FHL through FHsL with 14% interest per annum".* The MSA Report, which was commissioned by SEBI itself, also acknowledges the same in paragraph 4.2.14 wherein it notes that *"Later, RHC returns the loan of Rs. 600 crore to FHsL with 14% interest per anum, which is higher than the weighted average cost of funds (i.e. 11.99%) to FHL, as mentioned in point 4.2.1.1. The repayment was completed by 31st July 2015".* The Noticee had also sought certain data from FHL to confirm the factum of all outstanding payments (including principal and interest) having been received in respect of loans where the Noticee had even a limited role to play.

j) It is further clarified that any default on loan transactions involving the three Borrower Companies took place in relation to only those loans where the Noticee had no role to play, whether directly or indirectly, and none of those loans were approved or authorised by the Noticee.

k) The Noticee further submits that no discussions or deliberations in respect of the financial statements of FHL took place in his presence through which he could have inferred the fraudulent nature of the loan transactions. In fact, as has been mentioned by SEBI itself under the terms of the SCN at Paragraph 10.3.4 (e) as well as the MSA Report, the loan transactions were structured by the erstwhile promoters in such a manner that their impact was not reflected in the financial statements of FHsL, with a view to evade scrutiny. The Noticee submits that, if the statutory auditors of the company itself, who are entrusted with the responsibility of depicting the actual financial position of the company did not raise any red flags or concerns, then in such a scenario the Noticee cannot be reasonably be expected to investigate the transactions with a view to ascertain the real intent underlying the same. In fact, if individuals with specific expertise in preparing and reviewing financial statements were unable to detect the existence of fraudulent transactions – then the Noticee was certainly not well placed to detect the same.

33 Submissions of **Mr. Anurag Kalra** (during the hearing held on April 7, 2022 and written submissions dated April 11, 2022)**:**

a) The Noticee is a chartered accountant from the Institute of Chartered Accountants of India (ICAI) and has pursued a post graduate diploma in management (finance) from the International Management Institute in New Delhi.

b) The Noticee submits that at no stage during the process of appointing him to the Treasury Committee ("TC") of FHL was he officially informed of the same, and that his consent was never sought, and he was not provided with any option to decline his appointment to the TC. In fact, the Noticee only became aware of such appointment upon receiving an approval request note dated March 22, 2017, which pertained to the approval of a term loan bank facility which was circulated to the TC for their approval. Upon inquiry, it was brought to the knowledge of the Noticee that his appointment was upon the direction and approval of the executive chairman of FHL i.e, Mr. Malvinder Mohan Singh. Considering the fact that the Noticee was a relatively junior employee at the time, he was fearful and apprehensive about making enquiries of the executive chairman with respect to his decision to appoint the Noticee to the TC of FHL. The Noticee was apprehensive that any such questioning would have a negative impact on his career progression and would subsequently lead to retaliation for his refusal to accept additional responsibilities. The Noticee's appointment to the treasury committee ("TC") of Fortis Healthcare Limited ("FHL") was without his knowledge and consent, and his involvement in the decision making of the TC was very limited, as he was the junior-most member of the TC. The TC comprised of senior members with domain expertise in treasury-related matters, such as the CFO, who happened to be the Noticee's direct reporting supervisor. As such, on account of his lack of technical expertise in treasury-related matters, combined with him being the junior-most member of the TC in terms of designation, the Noticee placed great reliance on the judgement of his superiors. Accordingly, the Noticee's involvement in the decision-making of the TC was very limited.

c) The Noticee's tenure as a member of the TC of FHL was only for a short period of time, between March 2017 and August 2018 (i.e., a total of 17 months only) – which was very late in the overall scheme of the fraudulent conduct in question. The loan transactions were being approved by the TC/executive committee since 2011, and only came up for approval twice during the Noticee's tenure (i.e., on April 1, 2017 and June 30, 2017). The Noticee granted his approval to the said transactions on July 1, 2017, and April 4, 2017. However, the Noticee finds it pertinent to note that prior to this, similar loans with respect to Fern were previously approved 26 times; 23 times with respect to Best; and 18 times with respect to Modland, i.e. a total of 67 times in aggregate.

d) The mandate of the TC required inters corporate deposits to be placed on the basis of the merit of the proposal. Such merit was to be evaluated basis the approval request notes ("ARNs") prepared by the treasury department and the Chief Financial Officer ("CFO") and circulated to the TC for their approval. The ARNs in respect of the two loans approved during the Noticee's tenure raised no concerns or red flags about the loan transactions, and in fact, provided a rationale for approving such loan transactions.

e) The Noticee wishes to draw your attention and consideration to the fact that a report from Haribhakti & Co., dated January 18, 2016 was obtained in so far as Fern and Best is concerned ("Haribhakti Report") (attached herewith as Annexure III) which clearly and unequivocally affirmed that there was adequate asset coverage for the loans taken by two of the Three Borrower Companies. It is the Noticee's humble submission that such an affirmation by an independent firm provided further comfort and the Noticee cannot reasonably be expected to have doubts and submissions regarding the nature of the loan transactions or the recoverability of the loan amounts.

f) It is specifically submitted that in the loan transactions where the Noticee had any role to play (however limited that role may have been), to the best of the Noticee's knowledge, FHsL had duly received not only the principal amount involved in the transaction but also the interest due on the said principal amount (with interest rates being in line or more than market standards). Specifically, the Noticee finds it pertinent to note that at the time at which the first loan transaction was approved by the Noticee during the Noticee's tenure on April 4, 2017, the relevant amounts for all the loans which were previously granted, had been duly repaid with interest and reflected as such in the books of accounts of FHsL.

g) The bona fides of the Noticee's conduct are also abundantly clear from the fact that a similar proposal for a loan transaction was put before him on

October 30, 2017 (with the ARN being dated September 30, 2017), which was not approved by the Noticee. The Noticee refrained from granting such approval, in light of the fact that it had come to the Noticee's knowledge, that the Fortis group was facing certain financial issues, resulting from a liquidity crisis. In light of such financial issues, the Noticee refrained from approving the loan transaction in question. As such, the Noticee has exercised adequate diligence and acted in a bone fide manner in respect of the loan transactions.

h) The Noticee would like to specifically state and emphasize that he has never held any position as a director or key managerial personnel in either FHL or Fortis Hospitals Limited ("FHsL") – which is a wholly owned subsidiary of FHL, and a completely separate and distinct legal entity. The Noticee has only ever been an employee of FHL, and not FHsL.

i) The MSA Report did not make any adverse findings in relation to the individual role of the Noticee, in respect of the alleged violations. The Noticee submits that none of the material on which reliance has been placed by SEBI, including the MSA Report, demonstrates any wrongdoing on the part of the Noticee.

j) The Noticee would like to categorically submit that the he is not, and has at no stage been, a member of a treasury committee or executive committee of FHsL. In fact, the Noticee has never held any role of any nature in FHsL (whether as employee, key managerial personnel or director). Accordingly, he has had absolutely no role to play at the FHsL level in the aforesaid grant of loans to the Three Borrower Companies. At the outset, as mentioned above, the Noticee has never been a member of the executive committee of FHL. The Noticee was only a member of the TC of FHL and that too for a very limited time frame

k) Additionally, the Noticee had no expertise on treasury-related matters, and as such, had a very limited role as a member of the TC of FHL

l) Further, the Noticee would as a matter of professional caution personally wait for other senior members of the TC to record their approval with respect to the ARN before recording his own approval.

m) The financials of FHL and FHsL were audited by the statutory auditors appointed by FHL and at no stage did the Noticee become aware of any kind of wrongdoing with respect to the grant of loans and the misrepresentation being effected in respect of the same. At no stage was a red flag or concern raised either by the auditors, audit committee or the CFO of the company in communication or meetings through which the Noticee could have become aware or inferred that such financial misrepresentation was being done.

n) Further, the Noticee submits that the bona fides of the Noticee's conduct are also abundantly clear from the fact that a similar proposal for a loan transaction was placed before the TC on October 30, 2017 by way of an ARN dated September 30, 2017, which was not approved by the Noticee, specifically for the reason that it had become apparent that the Fortis group was facing liquidity-related issues.

o) FHsL was not in any manner bound by the decision of the TC of FHL and as per the Noticee's understanding, such decisions were not even considered by FHsL while deciding to provide loans to the Three Borrower Companies. In any event, given that FHsL was a separate legal entity, it had its own board of directors, senior management and consequently an independent decision-making process, which the TC of FHL or the Noticee had no say in.

p) However, the Noticee post July 2017, became aware of certain facts with the passage of time which, had he known at the time of the Relevant Loans, he would not have approved the loans as a member of the TC and would have duly questioned the rationale for the same. In fact, similar to how the statutory auditor had subsequently refused to sign the financials pending clarity on the recoverability of the loans, once the Noticee became aware of certain facts regarding the true nature of such loans, he refrained from approving a similar proposal put before him in October 30, 2017 with ARN dated September 30, 2017.

34 The submissions of **Dr. Preetinder Singh Joshi** (vide letters dated June 14, 2021, June 17, 2021, September 29, 2021 and during the hearing dated June 15, 2021):

a) He was an independent Director on the boards of Fortis Healthcare Limited (FHL) / Fortis Hospitals Limited (FHsL) (-who are alleged to have indulged in diversion of funds/ misrepresentation of financials etc.) during the Investigation period.

b) There has been inordinate delay in issuing the SCN.

c) On July 28, 1998, he was appointed Independent Director of FHL. Subsequently, on August 12, 2013, he had become Independent Director of FHsL. He had continued as Independent Director on the boards of FHL/FHsL till March 2018. On March 19, 2018, he had tendered my resignation from the boards of both the companies.

d) His role as an Independent Director was very limited and restricted in FHL/ FHsL. He was not involved in day to day management and affairs of FHL/ FHsL. He did not have any kind of material/pecuniary relationship as director with FHL/FHsL, their promoters, directors, Senior Management or their holding Company, their subsidiaries and associates etc. He was not related to the promoters or partners of FHL/FHsL or persons occupying the management position at the Board level or at one level below the Board.

e) He did not have requisite expertise in other areas (especially finance- except limited/basic superficial knowledge).

f) With regard to allegations levelled against him based on his being a member of the Audit & Risk Management Committee, it has been submitted that his professional background and area of expertise has been totally ignored and overlooked. It has been ignored that at multiple levels (below the Audit & Risk Management Committee), positive certifications were received from CEO/CFO and Statutory Auditors. Under the circumstances, and especially in the absence of anything to excite any suspicion as to something amiss in the financials, I as one of the members of the Audit & Risk Management Committee did not find anything amiss in grant of ICDs to the borrower companies. At the relevant time, he was given to understand by the management that the proposal to lend funds to the three borrower companies was bonafide and in the ordinary course.

g) The discovery of the alleged fraud is offshoot of sophisticated and rigorous investigations conducted by SEBI and Forensic Auditors. It is not as if the alleged fraud was obvious and patent.

h) He was not related to the promoters (viz. Malvinder Mohan Singh or Shivinder Mohan Singh or RHC Holding Private Limited/ Religare Enterprises Limitedthe alleged beneficiaries of diversion of funds). He was not related to the alleged Borrower companies or the alleged conduit entities (Noticee Nos 4 to 26) in any manner.

35 The submissions of **Mr. Hemant Dhingra**, made vide letter dated October 13, 2021, is brought out herein below:

a) Although the nomenclature of the designation of the Noticee had “Director” in it, he was never a Director in RHC. He did not have any say in the decision making of RHC. He had ony executed the decisions taken by the management of RHC.

b) He had played no role either in the proposal or grant of ICDs to the three borrower companies. He was not aware of any irregularities pertaining to the said loan transactions. He was never a part of the Executive Committee/ Treasury Committee or the Audit Committee of FHL or FHMNL/FHsL.

c) The Noticee had no relation whatsoever with the three borrower companies.

d) With respect to the directorship of the Noticee in some of the companies named as "conduit entities" in the SCN, he was not handling or was in charge of the day to day affairs of any of the said companies.

36 The submissions of **Mr. Jasbir Singh Grewal**, made vide letter dated August 21, 2019 (during the process of investigation) and relied/ retiterated by him during the hearing held on May 11, 2022, are reproduced herein below:

"Question (a): Rationale for granting approval for the aforementioned loans / ICDs by FHsL.

My reply: I was asked by the Company Secretary Mr. Rahul Ranjan to approve these as other TC members had already approved.

Question (b): Rationale for granting ICDs / Loans to Best, Fern and Modland only.

My reply: I don't know the rationale and I don't know why these loans were given. I am unaware of this.

Question (c): Provide details of due diligence carried out before approving each of the aforementioned transactions.
My reply: The due diligence should have been carried out by the Chairman, CEO and CFO whose primary job would be to do that, before giving such loans. I expected the

person circulating the resolution along with the reasons/rationale for the investment, to have done the necessary due diligence prior to such circulation, since they are the domain experts in this field. If they approve these loans, so did I. I did not on my own carry out any due diligence, and neither am I competent to do so.

Question (d): Provide details of your association (other than that of lender and borrower of funds), if any, with the promotors and/or directors of Best, Fern and Modland during the period 2016-17 to 2017-18.

My reply: The Chairman of FHL is my sister's son. Having said this, my working at FHL for 14 years was strictly professional. I have never dealt with him as a relative.

Sometime in March or April 2018 I was verbally informed by the Company Secretary Mr. Rahul Ranjan that I am being made a TC member. When I asked him on whose saying is this being done, he said the Chairman had directed him to do so. I asked the Company Secretary as to what my role would be in this committee. To which he replied, "To approve the Circulars being put up as other TC members would be doing." No formal mail was sent to me designating me as a member on the TC. In hindsight now, I find this a bit strange and not proper.

I wish to further add that I retired from FHL on Dec 31st, 2018 after being with them for 14 years, the last 4 years of my association with FHL was in the capacity of a Consultant and not an employee.

Having retired, I do not have access to the information you have asked me to furnish in Annexure A. You would need to ask this from FHL.

I wish to state that I will fully co-operate in any investigation carried out by SEBI in this regard."

CONSIDERATION AND FINDINGS

37 I note that the factual position of the SCN is largely undisputed by the Noticees from whom responses have been received to the SCN. Apart from Best, Fern and Modland, no other entity has disputed the findings of facts, but has sought to interpret them in a manner, which, if accepted, would absolve them of the charges of violations of SEBI (PFUTP) Regulations. I further note that the allegations pertaining to the violations of the requirements of disclosure as mandated under the SEBI (LODR) Regulations have been levelled against Mr Brian William Tempest (Noticee No. 41), Mr Harpal Singh (Noticee No. 40), Mr Pradeep Raniga (Noticee No. 42), Dr Preetinder Singh Joshi (Noticee No. 37), Lt Gen Tejinder Singh Shergill (Noticee No. 43), Mr Sunil Godhwani (Noticee No. 38) and Mr Ravi Umesh Mehrotra (Noticee No.39). Therefore, the submissions of all other entities who have sought to rebut these charges are being omitted from any consideration since they have not been charged at all for any violations of SEBI (LODR) Regulations. Their role shall have to be adjudicated on the backdrop of the charges of violation of SEBI (PFUTP) Regulations alone.

38 I note that while Best, Fern and Modland have disputed some of the findings on fact, their main argument (as well as those of the Noticees No. 4-26) is threefold: firstly, they have/ had no relation with either FHL/FHsL and/or RHC or any of the promoter group entities; secondly, all the impugned transactions were undertaken in the usual course of the business of moneylending where on one hand, they had borrowed funds at lower rates of interest and had lent the said sum of money at a higher rate, thereby earning interest arbitrage; thirdly, they were unaware of any fraudulent scheme undertaken by FHL/FHsL in order to benefit their promoters. Some of the entities have also raised a preliminary objection stating that their activity did not pertain to the securities market and accordingly SEBI lacks jurisdiction over them. Some have also raised the contention that all the documents sought by them in the present proceedings have not been provided to them, including the investigation report, which have caused prejudice to them in terms of preparing their defense in the most effective way. Again, some of the entities (the Directors of FHL/FHsL) have raised another contention that even if there was any fraud in lending monies to the

three borrower entities, either they were unaware of such fraud (while acting in bona fide manner) or was never a part of the process of lending monies to the three entities.

39 Before proceeding to deal with the merits of the case, I wish to settle the following two preliminary objections raised to this proceedings by some of the Noticees:

a) Some of the Noticees have submitted all the documents sought by them in the present proceedings have not been provided to them, including the investigation report, which have caused prejudice to them in terms of preparing their defense in the most effective way

b) Some of the Noticees have contended that their activity did not pertain to the securities market and accordingly SEBI lacks jurisdiction over them.

40 With respect to the submissions on the adequacy of the documents/information provided to the Noticees, I note that all the documents that have been relied upon for the charges contained in the SCN, have already been provided to the Noticees along with the said SCN and exhaustive replies have been filed by several Noticees as already detailed in the preceding paragraphs. The details of transactions, which form the core of the charges against the Noticees, the evidence thereof have already been provided/cited to them in terms of bank statements of the said Noticees themselves/ ledgers etc. The report of the forensic audit too (along with the annexure thereto), has been provided to them. The complete ledger account statements of the three borrower entities (Best, Fern and Modland) for the entire period of investigation and the relevant extracts thereof has also been provided. I note that the primary allegation of violation of the SEBI (PFUTP) Regulations is premised on such transactions only. Therefore, details pertaining to such transactions as noted in the investigation report and reproduced in the SCN (supported by documents already provided) are the only document relevant with respect to the charges under SEBI (PFUTP) Regulations. The charges pertaining

to the violation of SEBI (LODR) Regulations on the part of the Directors of FHL/FHsL emanate from the aforesaid primary charges of violation of SEBI (PFUTP) Regulations. Thus, it is observed that such parts of the investigation report which concerns the specific charges against each of the Noticees have already been reproduced in the SCN along with the supporting evidence. In fact, the entire chain of transactions that constitute the events impugned in the SCN, have been detailed with facts, figures and explanations along with supporting documents in the form of bank statements/ ledger extracts etc and no other information/ document are being referred to or found to be relevant for the purpose of ascertaining the allegations levelled against the Noticees. In the case of *Shruti Vora Vs. SEBI* [Appeal (L) No. 28 of 2020, decided on February 12, 2020], the Hon'ble SAT had *inter alia* held that:

> *"A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon."*
>
> *"In view of the aforesaid, the request of the appellant for supply of the documents in possession of the authority is misconceived and cannot be accepted. Prima facie, the only object in making such demand is to obstruct the proceedings."*

In the recent verdict of the Hon'ble Supreme Court in *T. Takano Vs SEBI* (Civil Appeals No. 487-488 of 2022, decided on February 18, 2022), it has been *inter alia* held that:

"*39 The following principles emerge from the above discussion*:

(i) A quasi-judicial authority <u>has a duty to disclose the material that has been relied upon at the stage of adjudication</u>; and

(ii) An ipse dixit of the authority that it has not relied on certain material would not exempt it of its liability to disclose <u>such material if it is relevant to and has a nexus to the action that is taken by the authority</u>. In all reasonable probability, such material would have influenced the decision reached by the authority."

"Therefore, the Board should determine such parts of the investigation report under Regulation 9 which have a bearing on the action which is proposed to be taken against the person to whom the notice to show cause is issued and disclose the same." [Paragraph no. 49]

"The appellant has a right to disclosure of the <u>material relevant to the proceedings initiated against him."</u>[Paragraph no. 51(i)]

"The Board shall be duty-bound to provide copies of such parts of the report <u>which concern the specific allegations which have been levelled against the appellant in the notice to show cause."</u> [Paragraph no. 52]

[emphasis supplied in all of the extracts reproduced herein above]

Therefore, I hold that there has been no breach of the principles of natural justice on the abovementioned ground of non-supply of information which are relevant to the present proceedings.

41 With regard to the submissions of some of the Noticees that they are not related/ connected to the securities market and/or the transactions alleged, cannot be held to be transactions relating to the securities market, the SEBI has no jurisdiction to initiate or continue the present proceedings against them based on the impugned transactions; I note that it is important to refer to the relevant judicial dicta on the

subject. In the case of *Karnavati Fincap Ltd Vs. Securities and Exchange Board of India* [1996 87 CompCas 186 Guj], the Hon'ble Gujarat High Court had held that:

> *5. The words "other persons associated with the securities market" have not been defined in the Act. The question then arises whether "persons associated with the securities market" takes its colour from persons enumerated in clause (ba)? <u>If one has to go by the literal meaning, the interpretation which restricts the meaning of "persons associated with the securities market" to the persons enumerated in clause (ba) is not acceptable.</u> In ordinary meaning, the persons associated with the securities market would include all and sundry who have something to do with the securities market. It is to be noted that the securities market in the sense is not confined to stock exchanges only. The words "persons associated with the securities market" are of much wider import than intermediaries."Persons associated with" denotes a person having connection or having intercourse with the other; in the present case that "other" with whom a person is to have connection or intercourse is the securities market". The term "securities market" has not been defined under the statute. But taking the meaning of "securities" as defined in the Securities (Contracts) Regulation Act, 1956, because that is the definition of "securities" adopted under the SEBI Act, and the ordinary meaning of the word "market", it will mean a place or institution where the business of selling or buying of securities is carried on. Selling, buying or dealing with securities is the essential ingredient of a market. Though "securities market" has not been defined, the definition of "stock exchange" under section 2(i) of the Securities Contracts (Regulation) Act means any body of individuals whether corporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities. "Securities" has been defined under section 2(h) to include shares, scrips, stocks, debentures, debenture stock or other marketable securities of like nature in or of any incorporated company or other body corporate, etc., etc. What in noticeable is it refers to "marketability" of it. A stock exchange is more than a mere selling, buying or dealing place for securities, but adorns the role of an assisting agency in smooth conduct of securities business by suitable regulating or controlling authority. None the less a market cannot be conceived of without a seller or buyer who are the primary persons for whose purpose the market exists. All activities of business of selling and buying are related to the seller or the buyer. It is inconceivable to think that a buyer or seller of a scrip is not a*

person associated with the securities market, where or through which he transacts his business, whether as trader or as investor, of selling or buying the required scrip.

6. Even taking the narrower view as suggested by learned counsel for the petitioners, by restricting the meaning of persons "associated with the securities market" only to that class of persons referred to in clause (ba) does not keep out the primary persons in the dealing of the securities out of inquiries as contemplated in clause (i) of section 11(2). What is contemplated is calling for information from the persons enumerated in clause (i) and, also conducting inquiries into the affairs of stock exchanges, mutual funds and other persons associated with the securities market and intermediaries and self-regulatory organisations in the securities market. The provision is two fold. Firstly, calling for information primarily before holding any inquiry, and, secondly the holding of an inquiry into the affairs of the persons named therein and transactions in securities which takes place under its precincts or through its agencies. While calling for information, a power may be restricted to the persons enumerated therein. But where calling for the information is incidental to the conducting of inquiries into the affairs of a stock exchange or persons associated with stock exchange then the persons whom such an inquiry would reach cannot be restricted. It would be self defeating to hold that the investigation into any malpractice attached with any transaction or practice carried on in a stock exchange can be made only up to the intermediary but cannot reach the primary source of the transaction. It will be like searching for light in a tunnel without reaching its mouth. All the persons connected with the subject of enquiry are amenable to its reach.

7. Therefore, once an inquiry is to be conducted with respect to any securities dealt with on the stock exchanges or of any persons connected with such securities, whether primary dealers or intermediary dealers and whether there was a broker or a share transfer agent or in any capacity associated with the conduct of such transactions fall within the scope and ambit of inquiry under section 11(2)(i) and, if anybody is found involved in any malpractice, it would be within the reach of the Board to issue directions under section 11A.

Thus, the phrase “person associated with the securities market” cannot be restricted only to the intermediaries being governed by SEBI but also extends to any person having any connection/ transaction to/with the subjects being governed by SEBI as a regulator. In the present case, FHL is a listed company which comes under the regulatory purview of SEBI as far as its exposure to the securities market is concerned (through its various actions including but not limited to the publication of its financial results). Therefore, any transaction pertaining to a listed entity (in this case, FHL) which has the potentiality of influencing the price of its securities and/or misleading its investors, squarely comes under the regulatory jurisdiction of SEBI. In the present case, the impugned transactions have allegedly created a false and misleading picture of the financial status of FHL as represented by it through its periodic publication of financial reports/ results to its investors and the securities market at large. Therefore, any person associated with such transaction shall surely come under the regulatory ambit of SEBI. Therefore, I hold that all the Noticees in the present proceedings as far as their impugned dealings are concerned, come under the regulatory purview of SEBI.

42 Having thus dealt with the preliminary objections raised in the present proceedings, I now move on to deal with the submissions on the merits of the case. As already noted before in this order, the primary allegation against the Noticees in the present proceedings is that of aiding and abetting a scheme of fraud by which funds from a listed entity was funneled out to some of its promoters for the benefit of the latter and non-reporting of the said transactions as related party transactions. The charges of misrepresentation in the financial statements pertaining to the said transactions are allegedly attempts to conceal the aforesaid fraudulent scheme.

43 It is an established principle of jurisprudence that in a case involving charges of fraud pertaining to the securities market, direct evidence is seldom available and the charge needs to be established on an understanding of the entire situation based on the analysis of the conduct of the entities involved and not on the basis of individual transactions in any piecemeal manner. Therefore, the conduct of the entities need to be viewed in a holistic manner involving their relationship with each other and FHL/FHsL (and/or their promoter entities), the transactions undertaken

by them, the nature (usual/unusual) of such transactions, the number of such transactions etc.

44 After perusing through the findings of the investigation (as mentioned in the SCN and discussed in details in the earlier parts of this order), allegations made in the SCN and after considering the submissions made by the Noticees thereon, I find that a systematic scheme of fraud was devised by the erstwhile promoters of FHL (hereinafter referred to as 'the Scheme'), to funnel the resources of a listed company behind the facade of investment through ICD's/ short term loans to various intermediate entities (categorized in this order as "conduit entities"), for the benefit of RCH Holdings, an entity which was indirectly owned and directly controlled by the Erstwhile Promoters (a pictorial representation of the relevant ownership has already been provided in the SCN and in the earlier parts of this order). I note that the funds of the listed entity was circuitouslyused by the Erstwhile Promoters for the benefit of RHC Holdings since 2011 itself, wherein FHL was used to lend money and the said loans/ ICD's were repaid beyond the period of initial agreements under the indulgence of continuous extension of such dates of repayment despite the failure of the borrower entities to repay within time. Subsequently, in 2016 the money that was lent, was not returned by the borrower companies. The broad observations relating to the said Scheme are provided herein below:

a) **Initial loans by FHL for purchase of Land** - A land was first acquired indirectly by FHL through its subsidiary EHIRCL and another entity (Lowe) in May 2011, which was transferred in December 2011 to RHC Holding without any consideration. Only a structured rotation of 200 Crores was carried out three times to give a false picture that the initial payments by FHL for the purchase of land have been received with interest. The money received by FHL was immediately transferred back to RHC Holdings through the three Borrower Companies i.e. Best, Fern and Modland. Thus, the actual payment for the purchase of land by RHC Holding was made by FHL and though RHC Holdings ultimately paid the consideration for land, it was after a period of more than 3 years. In other words, ICDs/loans that FHL provided to Best, Fern and Modland through FHsL had actually been utilized by RHC Holdings for a period of 3-4 years. The connection of the borrower entities and the promoter group as well as the pattern of funds clearly show that the ultimate beneficiary was RHC Holding,

b) **Subsequent short term ICDs–**I find that, during December 2012 to March 2016, FHMNL / FHsL gave numerous short term loans / ICDs to Best, Fern and Modland, which were further transferred to RHC Holding through a complex layer of various entities. RHC Holding utilized the money for certain days and thereafter, the funds were transferred back to FHsL by the aforementioned three entities wherein such repayment was arranged by RHC Holding only. Hence, instead of transferring funds directly to RHC Holding, FHsLmanaged to benefit its promoter company by transferring funds indirectly through various entities and in the process, FHL avoided the provisions of related party transactions which otherwise would have been applicable in case if the funds were transferred to RHC Holding directly.

c) **Misrepresentation of financial position–**From the first quarter of FY 2016-17 to the first quarter of FY 2017-18, the ICD's/loans given to Best, Fern and Modland during April/May 2016, aggregating to 473 Crores, were shown as being repaid at the last day of each quarter and fresh loans/ ICD's were being shown as given at the first day of next quarter. However, in reality no loans/'ICD's were being repaid. Funds were flowing from FHsL to show the repayment of old loans. It was nothing but circular rotation of funds. Such transactions were deliberately entered into to hide the real picture of the financial position of FHsL (which was a wholly owned subsidiary of FHL and in effect it concealed the actual financial position of a listed entity, viz. FHL), at the end of each quarter, since transactions squared off within the same quarter do not get reflected in the quarterly financial results. The position of 'Cash and Cash Equivalents' as being shown in the Current Assets of the Balance Sheet of FHsL (effectively of consolidated FHL) as on September 30, 2016 and March 31, 2017, and net profit of FHsL (effectively consolidated FHL) in the Statement of Profit and Loss for the quarter ended June 2016 to June 2017, was misrepresented.

d) **Non-return of Funds–**Funds aggregating to Rs. 397.12 Crore (excluding interest) have been diverted (concealed as investments through ICD's) from the listed company i.e. FHL to Erstwhile Promoters controlled entity i.e. RHC Holding, through the wholly owned subsidiary of the FHL i.e. FHsL. The funds were allegedly routed through a network of entities, the first leg of which involved the grant of short term loans/ ICD's by FHsL to any of the three entities Best, Fern or Modland.

45 In the aforesaid fraudulent scheme of diversion of funds of a listed entity and misrepresentations to conceal such fraud, that the role of the Noticees need to be ascertained. In this regard, I note that none of the Noticees have sought to defend FHL/FHsL and/or its promoters, but have attempted to defend their individual positions. Therefore, the funneling of funds from FHL through its wholly owned subsidiary FHsL for the ultimate benefit of its promoters, is an undisputed position.

46 I note that in the aforesaid scheme of arrangement, as far as the routing of funds from FHL through FHsL to the erstwhile promoters of FHL is concerned, a pivotal role was played by Best, Fern and Modland, i.e, the Noticees mentioned at serial nos. 1, 2 and 3 in the present proceedings. I note that exhaustive submissions have been filed by them in the present proceedings, which I shall now specifically address:

a) The Noticees mentonaed at serial nos. No. 1, 2 and 3 in this order had no direct association either with FHL/FHsL and/or with any of their promoter entities:-

I. None of the aforesaid Noticees deny that Adept, Best Cure, Fern and Best Medicines (Noticees mentioned at serial nos. 12, 13, 2 and 15) held 56.53% shareholding of the Noticee No.1 as on March 31, 2012. None of the three borrower entities have also disputed that their shares are being held with each other.Even presently, it has an identical office address as that of Fern, Modland and Adept and has identical set of Directors as Fern, Modland and Adept (the latter fact has never been mentioned in its submissions). Adept in its turn, had direct dealings with RHC Holdings as early as in the first case of dealing in the land when

RHC Holdings had transferred Rs. 36.50 Crore to Adept which the latter had in turn transferred to Lowe. Therefore, direct dealings of Adept with RHC Holdings, the former being under management of identical individuals as of Best, Fern and Modland, amounts to a dealing by Best, Fern and Modland themselves with an entity related to/controlled by the promoters of FHL, since it is a well-established principle of law that a company being a juristic entity can think and act only through its management. Further, Adept at the relevant point in time (December 28, 2011) had at least one common Director (Mr. Anuj Chowdhry) with Ligare (Noticee No.11). Although Adept has sought to dispute the charge that as on December 28, 2011, Best did not hold 50% of its shares, the details provided by it in this regard does not help its cause. According to the submissions of Adept, as on December 28, 2011, its shares were held in equal quantity by Greenline Buildwell Private Limited and Vectra Pharmaceuticals Private Limited. On a search conducted on the portals of the Ministry of Corporate Affairs ("MCA"), it reveals that Greenline Buildwell Private Limited ("Greenline") shares and identical office address viz. *"Office No. 103-B, Ground Floor, Plot No.45-A, Amar Plaza, Hasanpur Main Road, I.P Extension, Delhi East Delhi Delhi-110092*" with Best, Fern, Modland and Adept and also has an identical set of Directors as the other four entities. Vectra Pharmaceuticals Private Limited ("Vectra") (now amalgamated) has an email ID modland_wear@airtelmail.in (bearing stark similarity with the name of the Noticee No. 3) and one of its Directors, Ms. Prem Lata, is also a Director *inter alia* in Oscar Pharmaceuticals Private Limited (which has been under the management of MMS and SMS since 1994 and during the period of investigation), AD Advertising Private Limited and Rosestar Marketing Private Limited (Noticees nos. 10, 19, and 20) who too have been charged of aiding and abetting the routing of funds from FHL to its promoter entities. Another Director of Vectra, Ms. Rana Gill is also a Director in Rexcin (Noticee no. 14) and also happened to be a Director in Best Healthcare, Best Cure and Best Medicines (Noticees Nos.1, 13 and 15) during the priod of investigation. Thus, even by its own submissions, as on December 28, 2011, Adept was under the ownership and management of two such entities, who in turn, were/are under the same management as of Best, Fern and Modland and/or were directly and deeply connected to other conduit entities named in this order. Also, through Vectra, Adept was connected to Oscar, an entity which was under the direct management of the promoters of FHL (MMS and SMS). Therefore, Adept was on one hand directly connected to and/or under the same management as Best, Fern and Modland and on the other hand connected to the erstwhile promoters of FHL (through Oscar).

II. Adept (having same management as of Best, Fern and Modland) had direct dealings with Lowe (Noticee no. 25) which in turn dealt with EHIRCL directly over the land deal. Further, Lowe was taken over by RHC Holding in December 2011. EHIRCL admittedly was a wholly owned subsidiary of FHL (and therefore, under the control of the erstwhile management of FHL/FHsL). On a search of MCA portal, it appears that one Director of Lowe, Mr. Rahul Wadhwa, is also *inter alia*a Director of Zolton Properties Private Limited (Noticee no. 23) which too is charged to play the role of a conduit entity in the present proceedings. Further, at the relevant point in time, Zolton shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland, Fern, Torus, Tiger (Noticees no. 3, 2, 21 and 22), fact which has been stated in the SCN and has not been disputed by Best, Fern and Modland. Thus, Lowe too, (as is evident through its management and address), was connected to other conduit entities as well as to Best, Fern and Modland. Details of interconnectedness of the said three borrower entities with other conduit entities is provided in the SCN as well as in the earlier parts of this order.

III. It has been stated in the SCN that Ranchem became a subsidiary of RHC Holdings in 2014. Mr. Pramod Kumar Ahuja was a Director of Ranchem during the period of investigation (a fact mentioned in the SCN and not disputed by any of the Noticees).Further, Ranchem shares identical office address with Ligare, Oscar and RHC Holdings. As per the submissions of Best, it is admitted that during the period of investigation, Mr. Pramod Kumar Ahuja was one of the Directors of Best. From the documents available in the public domain, it is also observed that Mr. Pramod Kumar Ahuja was also a Director of Greenline (appointed on September 30, 2014) as well as a Director of Torus (Noticee no. 21) from 2008.Thus, Best was directly related to Ranchem (an entity controlled by RHC Holdings) through a common Director.

IV. It has already been noted above that Adept at the relevant point in time (December 28, 2011) had at least one common Director (Mr. Anuj Chowdhry) with Ligare (Noticee no. 11). Ligare too has stated in its submissions that prior to January 2016, its management was composed of Mr. Sanjay Godhwani, Mr. Ravi Kohli and Mr. Anuj Chowdhury. Mr. Sanjay Godhwani is the brother of Mr. Sunil Godhwani (Noticee no. 38), a fact mentioned in the SCN and not disputed by any of the Noticees. Mr. Sunil Godhwani was a director in FHL. As per RHC Holding Annual reports for the period of investigation, MMS and SMS were able exercise significant influence over Ligare and subsequently it became a subsidiary of RHC Holding. Thus, I observe that Best, Fern, Modland and Adept (all four being under identical management presently) was also connected to Ranchem and Ligare through a common Director each and both Ranchem and Ligare, were related to and controlled by the promoters of FHL. Ranchem and Ligare also shares identical office address with Oscar and RHC Holdings. Further, through Vectra, Adept was connected to Oscar, an entity which was under the direct management of the promoters of FHL (MMS and SMS). Thus, it is well established that Best, Fern and Modland were related to the promoters of FHL, if not directly, definitely through Adept, Ranchem or Ligare in between them. Hence, the submissions of Best, Fern and Modland in this regard cannot be accepted.

b) Best, Fern and Modland had entered into the impugned transactions in the normal course of business:-

I. The crux of the submissions of the said three borrower entities with regard to the impugned transactions is that they had entered into the said transactions in their usual course of the business of money lending. According to their submissions, in the impugned transactions, they had purportedly borrowed money at a lesser rate of interest and thereafter had lent the said amount at a higher rate of interest, thereby earning from interest arbitrage. In support of this stand, they have provided certain loan agreements, proof of payment of both principle and interest, etc. In this context, I note that there are two aspects to be ascertained and adjudicated upon; firstly, if the purported loan transactions were/ are 'usual' cases of lending and borrowing of money and secondly, how are these purportedly innocuous loan transactions placed in the larger chain of events, i.e, the fraudulent 'scheme' that has already been alleged in the SCN and discussed in details in the preceding paragraphs in this order.

II. In the preceding paragraphs, the relationship between the three borrower entities with FHL/FHsL and/or their erstwhile promoters (through numerous means) have already been established. <u>Although the three brrower entities have contended that they did not/ do not have any 'direct' connection with FHL/FHsL and/or their erstwhile promoters, in pith and substance, their relation/connection with the latter, has</u>

already been established. Also, it is not disputed for once that the said three borrower entities were being repeatedly granted short term loans/ ICDs over a significant period of time, from 2011 until almost the end of 2017. It is also not disputed and in fact admitted from the submissions made by the Noticees nos. 34 and 43 that FHL had infused Rs. 600 Crore in its wholly owned subsidiary FHMNL (which later was amalgamated with FHsL) from which short term loans were given out to the said three borrower entities.Therefore, it is established that the said three borrower entities were being lent money by a related/ connected entity, i.e., FHL through FHsL.It is also not in dispute that upto 2015, unsecured ICDs/short term loans were being given out to the three Noticees by FHsL (as per the submissions dated June 28, 2021 of the Noticee No.1). Therefore, an amount of not less than Rs. 576 Crore was given as ICDs to the said three borrower entities without any security with respect to the land deal mentioned in the earlier parts in this order. As per the terms of the said ICDs, these ICDs were to be repaid by the 3 borrower entities (Noticees nos. 1 - 3) to FHMNL by March 30, 2012. However, the repayments of said amounts was made by the 3 entities from the period December 30, 2011 to July 31, 2015 and such repayments had originated from RHC Holding.As per the submissions of Best (dated June 28, 2021), the loans was granted in December 2011 and were fully paid back to FHsL (purportedly with substantial interest), by the Noticee by the end of FY 2015-16. None of the said three borrower entities has disputed the fact that such repayment of money to FHsL had originated from RHC. Therefore, the delayed payment of the said unsecured loans/ICDs of December 2011 as well as the origin of such repayment from RHC Holding, as pictorially depicted in the SCN are admitted by the said three borrower entities (i.e., the Noticees nos.1-3).

III. From the facts available on record, I note that the grant of unsecured short term loans/ ICDs did not end with the transactions pertaining the land deal as detailed immediately above. Further short term loans were given by FHMNL / FHsL to Best, Fern and Modland at various instances during the period December 2012 to September 2015, which have already been detailed in the SCN and in the earlier parts of this order. I note that despite the delayed payment/ non-receipt of repayment within the time agreed upon by Best, Fern and Modland, further unsecured short term loans, each ranging between Rs. 60 Crore to Rs.200 Crore, were granted to them by FHL through FHMNL/FHsL during December 2012 to September 2015. It is stated in the SCN and not disputed by any of the said three borrower entities that RHC Holding had utilized the said funds (indirectly received from FHsL) for certain period ranging from 2 days to 34 days and thereafter, returned the funds to Best, Fern and Modland, through various entities, which were then ultimately transferred by Best, Fern and Modland to FHMNL / FHsL. The entities that were used to transfer the funds between RHC and Best, Fern, Modland were Saubhagya Buildcon Private Limited, Artifice Properties Private Limited, Best Cure Private Limited, Ranchem Private Limited, ANR Securities Private Limited, AD Advertising Private Limited and Rexcin Finance Private Limited. I further note that the relationship between the said conduit entities with FHL and/or its erstwhile promoters and some of these entities' relation/ connection with Best, Fern and Modland have been brought out in the SCN as also in the earlier parts of ths order and in paragraph no. 46(a) immediately above.

IV. It was alleged in the SCN with detailed figures that on an analysis of the movement of funds for the ICD of Rs. 100 crore from FHsL to Modland on April 04, 2016, it was observed that this ICD amount of Rs. 100 crore was used to settle the earlier ICD amount that FHsL issued to Best on January 29, 2016.Althugh Modland has sought to defend this allegation by submitting that the said ICD was not related to or used to pay off the earlier ICD dated January 29, 2016, both best and Modland are found to be absolutely silent as to how the ICD dated January 29, 2016 was repaid.Thus, it can be concluded that as alleged, observed that this ICD amount of Rs. 100 crore was used to settle the earlier ICD amount that FHsL issued to Best on January 29, 2016 which tantamunts to FHsL itself financing the repayment of its earlier loan.

V. Paragraph no. 10.3.4 of the SCN spells out in details how short term loans/ICDs granted by FHL/FHsL to Best, Fern and Modland were diverted and FHL in essence, had financed the repayment of the ICDs granted by itself, in order to benefit RHC Holding, i.e., its promoter entities. The crux of the charges contained in this part of the SCN is that while ICDs were being granted by FHL through FHsL to the said three borrower entities on the first date of each quarter (starting from Q1 of the Financial Year 2016-17 till the Q1 of the FY 2017-18) which were purportedly being repaid on the last date of each quarter by the said Noticees, it was in effect a repayment using the fresh ICDs that were being issued by FHsL itself on the first date of the next quarter. Detailed excerpts from the bank statements of the Noticees themselves were brought out in the SCN. The detailed calculation for arriving at the figure of Rs. 397.12 Crore being diverted by the said three borrower entities in this regard have been provided in Table No. 22 of the SCN itself, which is premised on the analysis of the bank statements of the said Noticees themselves. In this regard, I find that all the three borrower entities have replied on identical lines. They have not disputed even one of the figures that was taken into account for arriving at the figure of Rs. 397.12 Crore but have vaguely contended that the calculation behind arriving at the said figure is unclear to them. They have not disputed the figures mentioned in such bank statements. This also means and is abundantly clear from their replies that none of the said three Noticees have disputed the fact that they did not have sufficient balances in their respective bank accounts as on the last date of such quarters to repay the ICDs granted to them on the first date of the said quarter. All three of them have attempted to bypass this crucial fact by stating that they had submitted cheques for repayment and the encashment of such cheques coincided with the grant of fresh ICDs for the immediate subsequent quarter. Simply put, a loan cannot be rapid on a date through any possible instrument if the borrower does not have sufficient balance in its account to cover the said loan. At the cost of reiteration it must understood that none of the said three entities had balance in their respective bank accounts on the last date of each of the said quarters which could have been able to cover their ICD amount, let alone any interest. How then such loans could be repaid on the last date of each of the said quarters if not from the frsh ICDs that were credited to each of their accounts immediately on the first date of the subsequent quarter. Best has not rebutted the allegation that it had issued five cheques of Rs. 30 crores each dated June 30, 2017 in the name of FHsL (The cheque numbers were 00107, 00109, 00110, 00111, 00112) while having an available balance of Rs. 29 lakhs (approx.) only in the bank account. Similarly, the other two Noticees, i.e, Fern and Modland could not also explain how they could repay the ICD amount on the last date of the quarter while having miniscule balances compared to the ICD amounts. Threfore, these were mere "book entries" as alleged, intended to façade a carefully crafted scheme of syphoning off funds of a listed entity in order to benefit its erstwhile promoters. With respect to the allegations levelled at paragraph no. 10.3.5 of the SCN, the said Noticees have reiterated their stand as already stated with respect to the paragraph no. 10.3.4.

VI. It is interesting to note that a specific question was asked to Best (the Noticee no.1) during the hearing held on June 29, 2021, whether there were other entities/parties (apart from the entities named in the SCN) with whom the Noticee had dealt with in money lending business and gave or took loans. Vide the reply dated July 20, 2021, Best has named 21 entities with whom it had dealings in its money lending business. On a broad enquiry from the documents available in public domain I find as follows:

Sl. No.	**Name of the entity**	**Connections with the entities named in the SCN**
1.	Artifice Properties Private Limited	Noticee No. 16
2	Finserve Shared Services Pvt Ltd	Is under the management of the erstwhile promoters of FHL. Has identical office address with Ligare, Oscar, Shimal, RHC Holding.
3	Oscar Investment Limited	Noticee No. 10
4	R.C Nursery Private Limited	Has identical office address with Shivi Holdings Private Limited and one of its Directors (Ms. Arundhati Khanna) is also a Director of Shivi Holdings Private Limited.
5	Volga Management & Consultancy Private Limited	Has identical office address with Rosestar and AD Advertsing and all the three entities have same Directors, viz. Prem Lata and Gurpreet Singh Sodhi.
6	Saubhagya Buildcon Private Limited	Noticee No. 24
7	Torus Buildcon Private Limited	A Noticee in the SCN.
8	Religare comtrade Limited	A related party of Fortis Healthcare Limted

9	Bazigar Trading Private Limited	Share a common Director (Mr. Mukesh Kumar Saini) with Tamkin.
10	Kalyan Vyapar Private Limited	Related to august Trading as provided herein below.
11	August Trading Private Limited	Shares common Directors (Mr. Arun Pareek and Mr. Surajit Goswami) with Kalyan Vyapar and tamkin Trading respectively. Has an identical office address with Tamkin.
12	Tamkin Trading Private Limited	Relationship with August Trading given above.
13	Decent financial Services Private Limited	Has identical two Directors with Blue Line Finance and has one common Director with Nishu Finlease.
14	Nishu Finlease Private Limited	Given above

I find that as per the Annual report of a company named as “Healthcare Technologies Limited” filed with BSE, Mr. Daljit Singh and Mr. Hemant Dhingra (both were Directors of FHL and/or FHsL during the period of investigation) were members of the Board of Directors. In the said company Bazigar Trading was second highest shareholder in the non-promoter category (4.92%). Bazigar Trading, Kalyan Vyapar and a company named Manimudra Vincom Private Limited (having a common Director Mr. Pannalal Maloo with Kalyan Vyapar) tgether held 9% shares. Therefore, it is observed from the submissions of Best itself that its moneylending business was largely confined to the entities either directly or indirectly connected to FHL/FHsL.

VII. None of the said Noticees has actually attempted to controvert the allegation that funds have actually moved out of FHL through FHsL to RHC Holding/ RFL or other promoter group entities of FHL.

47 Therefore, on the basis of what has been discussed in the aforementioned paragraph no. 46, I hold that the said three borrower entities were connected/ related to FHL/FHsL, RHC Holding through more than one means. Further, their impugned transactions dressed as loan transactions were non-genuine as has been established through the unusual nature of such transactions as already detailed in paragraph no. 46. Therfore, considering the broad fraudulent scheme whch was run from 2011 till 2018 by FHL for the benefit of its erstwhile promoters through purportedly ordinary loan transactions and the position of the said three borrower entities (Noticees nos. 1 - 3) in such scheme, I hold them liable for violation of SEBI (PFUTP) Regulations as charged in the SCN for having aided and abetted such an elaborate scheme of fraud. I reiterate that in a case of fraud related to securities market, of the magnitude as observed in this case, direct evidence of fraud is seldom available. However, since the present proceedings is in the nature of a civil proceedings (as has also been claimed by the three Noticees), the test is one of preponderance of probabilities. The nature of the fraudulent scheme, the relations/ connections of the said three Noticees with the initiator and ultimate beneficiaries of the said scheme and the absolutely non-genuine nature of high value transactions entered into by the Noticees over a period of almost seven years leads to an unmissable concusion that they had played the pivotal role of aiding and abetting the routing of funds as alleged and hence liable for penalty under section 15 HA of the SEBI Act.

48 I have already noted that that the entities at sl. nos. 4-25 of this order have been alleged to have acted as conduit entities through whom the funds were routed from FHL/FHsL to their erstwhile promoters and in some cases were also routed back. As has already been observed in the preceding praragraphs in this order, the entire frauduluent ‘scheme’ was perpetrated for the ultimate benefits of the erstwhile promoters of FHL and therefore personal benefits and/or undue advantages accrued to any of the entities at sl. nos. 4-25 of this order has not even been alleged. Therefore, before considering the submissions of these Noticees on merits, I hold that any argument put forth by any of the said Noticees on the premise that no

undue gains were made by them through the impugned transactions, is not relevant for the purposes of the present adjudication proceedings. The role of the said Noticees, like that of the three borrower entities, need to be understood from two points of reference: firstly, the connection/ relation of the said Noticees with FHL/FHsL on one side and their erstwhile promoters on the other side; secondly, the nature of the transactions entered into by them.

49 I note that the following amongst the entities at sl. nos. 4-25 of this order, have made their submissions in the present proceedings:

a) EHIRCL (vide reply dated June 11, 2021 and additional written submissions submitted vide email dated June 23, 2021 and oral submissions made during the personal hearing held on June 16, 2021);

b) Ligare Aviation Limited (vide letters dated April 20, 2021 and June 10, 2021);

c) Addon Reality Private Limited (vide letter dated August 31, 2021);

d) Adept Lifespaces Private Limited (vide letters dated August 6, 2021, during the hearing held on April 28, 2022 and post hearing submissions dated May 2, 2022)

Their submissions have already been cited in the preceding aragraphs in this order.

50 With respect to EHIRCL, I note that while admitting that it was a wholly owned subsidiary of FHL (and therefore, under the control of the erstwhile management of FHL/FHsL), there was no *mala fide* or lack of due diligence on the part of the said Noticee in entering into the alleged transaction with Lowe Infra and Wellness Private Limited. The amount that was advanced by the Noticee to Lowe towards the

purchase was fully received with the agreed rate of interest and therefore the Noticee did not suffer any loss out of the said transaction and as a result thereof, even FHL did not suffer any loss on extending financial assistance to the Noticee for the said transaction with Lowe. This was a genuine transaction for the Noticee and did not involve any siphoning of funds from FHL to any other entity by it. I cannot accept this argument. EHIRCL in effect, was an arm of FHL at the relavnt point in time, a fact admitted by the said entity in its submissions as well. The elaborate scheme of fraud that this present proceedings is dealing with has already been detailed in the preceding paragraphs in this order, which is not being disputed by EHIRCL. A 'mala fide' or a 'fraudulent intent' (as in the present case) can only be inferred from the actions and omissions of an entity in a given case. I note that EHIRCL was present as a party in 9 transactions pertaining to the purchase of the land as detailed in the SCN as also in the earlier parts of this order. As already been established in this order, the said deal was in effect financed by FHL in order to benefit its erstwhile promoter, RHC Holding. The amount of Rs. 576 Crore (which at the relavant point in time constituted 17% of FHL at the relevant point in time) was routed through EHIRCL by FHL through FHsL which had finaly reached RHC Holding and was used by the latter for 3 years before actually repaying the same. The funds that was received by EHIRCL towards repayment by Lowe was in fact a sum of money that was financed by FHL itself through FHsL and the three borrower entties as already detailed in the preceding paragraphs. Therefore, I hold that EHIRCL, which in effect was an arm of FHL itself at the relevant point in time, had no separate mind other than that of the management of FHL and had actually participated in the said fraudulent scheme. Therfore, I hold that no separate 'mala fide' or fraudulent intent of a juristic person (in this case EHIRCL) need to be proved when from the overt acts of the Noticee, its participation in the fraudulent scheme is evident and apparent beyond any ambiguity.

51 Having thus held the culpability of EHIRCL, it is important to consider the other submissions of EHIRCL which in essence is that at the relevant point in time when the aforesaid cause of action had arose, the Noticee was under a different management from that of now and it shall be incorrect to penalize the Noticee for the fraudulent actions of its erstwhile management. This argument has been elaborated with reference to some of the judicial pronouncements on the subject and by bringing out various instances to show that the erstwhile management had perpetrated the alleged fraud *inter alia* on both FHL and the Noticee for their own benefit and the Noticee, under its present management has already taken several steps including filing of civil and criminal complaints against the erstwhile management for the fraud committed by the latter.I find that EHIRCL is a corporate entity, distinct from their shareholders and the persons controlling it. It is true that in case of fraud, the corporate veil of a company, can be lifted to find out the real culprits and the beneficiaries of the fraud, which has been done in the present case. However, it does not mean that the corporate entity is absolutely absolved from its liability for the wrong committed. A corporate entity always acts through human beings controlling its affairs. If it is assumed that only natural persons will be liable for the wrongs of the company then it will run counter to the concept of distinct legal

personality of a corporate entity, whose one of the important attribute is that it can sue and be sued in its own separate name. The wrong done by the natural person in the name of the corporate entity can only be taken as a mitigating factor for deciding penalty, monetary or otherwise, to be meted out to the corporate entity and not as an absolving factor. I therefore, hold EHIRCL responsible for the fraudulent scheme perpetrated at the behest of the then management of FHL/FHsL for the benefit of their then promoters and therefore has violated the relevant provisions of SEBI (PFUTP) Regulations as alleged in the SCN. However, the fact that EHIRCL is working under a completely new management presently and the said revamped management has already taken steps against the erstwhile management for the fraud perpetrated under their watch, shall serve as a mitigating factor while computing the penalty under section 15HA of the SEBI Act.

52 With respect to the submissions of Ligare Aviations Limited, I note that vide letter dated April 20, 2021, it had only submitted that company has been under a new management since January 14, 2016 and the erstwhile management did not make themselves available to the present management for a transition and handover of the books and records as to the affairs of the company. They sought 45 days time to submit further details. Thereafter, vide another letter dated June 10, 2021, while reiterating their earlier submissions, they further submitted that Mr. Sanjay Godhwani was the Managing Director and Mr. Ravi Kohli and Mr. Anuj Chowdhry were the Directors of the company at the relevant point in time. It had also presented pictorially the flow of funds between itself, Oscar and Fern on March 20 and March 27, 2014 and certain ledger account and bank statements in support of its

submissions. It had also waived the opportunity of personal hearing. The relation/connection of the erstwhile management of Ligare with FHL/the other conduit entities has already been brought out in the SCN as well as in this order, which has not been disputed. One of the directors of this company was Mr. Sanjay Godhwani, who is the brother of Sunil Godhwani. Sunil Godhwani was director in FHL. It shared common directors (Anuj Chowdhry, Ravi Kohli) with Adept, Saubhagya, Best Medicines and Artifice Prperties, all being alleged to be conduit entities in the present proceedings.The fund flow depicted by Ligare for March 27, 2014 is already a part of the pararagraph no. 10.3.3 in the SCN under the sub-heading “Instance 2”. The said flow of funds it was observed that Addon Realty had transferred Rs. 93.09 crore to Fern which were subsequently transferred to RHC Holding through various entities (viz. Ligare Aviation, Oscar, Ranchem). All these fund transfers were observed to have happened on the same date i.e. March 27, 2014 and after receiving Rs. 225 crore from Ranchem, RHC Holding transferred Rs. 200 crore to RHC Holding Commercial Paper Account on March 27, 2014 from where the money was further transferred to IDBI Liquid Fund (Rs. 100 crore), Peerless Mutual Fund (Rs. 50 crore) and JM Financial Mutual Fund (Rs. 50 crore) on March 27, 2014, which was for RHC’s own purpose and benefit. This assertion has not been disputed by Ligare in its submissions. Thus, considering the relation/ connection of Ligare with FHL and/or other conduit entities and the nature of the transaction as already discussed herein above, I hold that Ligare had in effect aided and abetted the fruaudlent scheme of routing of funds from FHL for the benefit of its erstwhile promoters, as alleged, thereby violating the provisions of SEBI

(PFUTP) Regulations as alleged in the SCN. Ligare has stated that it is under a new management since January 2016 a fact whis is borne out from the information available on the MCA21 portal as well. However, the ownership of a company gets transferred along with its assets and liabilities. From its submissions however, it is also not clear if it had taken any legal steps against its erstwhile management for the fraudulent act that they had participated in. Therefore, this fact i.e., the company is uder a new management can only act as a mitigating factor only to a limited extent while imposing penalty on the entity.

53 Wth respect to Addon Reality Private Limited, I note thata preliminary issue needs to be settled before considering its submissions on merits. Addon has submitted that the present proceedings is vitiated due to the delay in issuing the SCN which has been issued in April 2021, purportedly after 7 years since the impugned transactions were enetered into by the said Noticee. The Noticee has however itself submitted that although there is no period of limitation prescribed in the SEBI Act or any Regulations framed thereunder for completion of investigation or issue of SCN, the authority is expected to exercise its powers within a reasonable period of time. In this case, I note that although the impugned transactions of the Noticee puprportedly had happended between the periosd 2014-2016, the entire period of the fraudulent scheme stretched from 2011 to 2018. SEBI had initiated its investigation in 2018, appointed a forensic auditor to assist itself in the investigation, obtained report from the forensic auditor, which was thereafter considered and deliberated upon, sought information/ clarifications/ explanations from various entities involved in the said fraudulent scheme (some of whom are also parties to

this proceedings), finalized the findings of its investigation and only subsequent to all that decided upon the proceedings to be initiated in the said subject. Thereafter, both proceedings under 11/11B of the SEBI Act and adjudication proceedings under Chapter VI A was intiated. The SCN in the present proceedings was issued on April 9, 2021. Considering this whole chain of events, I conclude that SEBI had indeed completed its investigation withn a reasonable period of time (considering the lengthy period under investigation, voluminous documents perused, information obtained from various sources, consideration of the forensic audit report) and thereafter the present proceedings have been initiated. Therefore, I cannot accept the submissions of the Noticee that the present proceedings have been vitiated by inordinate delay.

54 Addon has been admitted that at the relevant pint in time during the period of investigation, Mr. Gurpreet Singh Sodhi and Mr. Rajveer Singh were the shareholders of Addon and were controlling and managing it. During the end of 2019, the management of the company changed to the present management. Addon has not disputed the facts of the transaction wherein it has been alleged to be involved in the SCN. It has however referred to the transaction dated March 27, 2014 and April 4, 2016 and has claimed that the said transactions were eneterd into its normal course of business as normal borrowing and repayment transactions. The amount transferred by Addon to Fern on March 27, 2014 was the repayment of ICD raised by Addon from Fern on March 24, 2014. None of the entities through whom the funds had reached RHC were connected to Addon. Further, for the transactions which happened on April 4 and June 6, 2016, it has been submitted that Addon had

raised a loan of Rs. 163.65 from Torus in April 2016 (received in 2 tranches on April 4 and April 6, 2016), to repay repay the loan availed from RFL on in 2014. The said loan was repaid by paying an amount of Rs. 163.61 Crore to RFL in multiple tranches on April 4 and April 6, 2016. Addon was not aware of the transactions between Torus and Modland. Addon has admitted that at the relevant point in time during the period of investigation, it had shared Directors with Best Medicines and Ranchem (Mr. Rajveer Singh and Mr. Gupreet Singh Sodhi).I note that although the Noticee has admitted that it had shared its directors with Best Medicine and Ranchem it has not said anything about the fact it had shared the said Directors with AD Advertising Private Limited and Rosestar Marketing Private Limited as well. Thus, Addon was related/ connected to more conduit entities than it has expressly accepted. Be that as it may, I note that Best Medicine at the relevant point in time was completely under the contrl of the Noticee no. 1 (67% of its shares were Directly held by Best and the remaining 33% was held by Best Cure, which in turn was controlled by Best through the ownership of 67% of its shares), a point mentioned in the SCN and not controverted by Addon. Rachem, at the relevant point in time was a subisidary of RHC Holding (since 2014). Thus, even on its own admission, the management of Addon during the relevant period of time, were deeply connected to the said three borrower entities on the one hand and with the erstwhile promoters of FHL (through RHC Holding) on the other hand. Thus, on both occasions when Addon was directly receiving funds from RFL and was transferring funds to RFL on March 27, 2014 and April 4, 2016 respectively, it was dealing with another entity of the promoter group of FHL, while itself being deeply connected to

RHC Holding. On March 27, 2014, Addon had transferred funds to Fern and April 4, 2016, the fund which it had purportedly received from Torus as a loan, had in fact come to Torus from Modland. Fern at the relevant point time shared an identical office space with Torus as well as shared common directors with it. Also, from the Financial Year 2014-15, Fern was wholly owned by Best and Modland. Thus at the relevant point in time Addon was dealing with Fern, an entity under the same management as Best, while itself being an entity connected to Best all the time. Agsin, while it was dealing with Torus, it was dealing with an entty connected to Fern. Thus, Addon was receiving funds from Torus which in turn got that fund from Modland (an entity almost inseparable from Fern) and Modland had recived the said fund from FHsL. The relation/ connection between Addon on one hand the three borrower entities on the other hand is clear from what has been discussed above. Further, for the transaction done by Addon on March 27, 2014, funds given by it to Fern had finally reached RHC Holding through Ranchem. The relationship between Ranchem and the then management of Addon has already been established in the earlier part in this paragraph. Therefore both the transactions on March 27, 2014 and April 4, 2016, enetered into by Addon were between related/ connected entties to rout fund of FHL to its promoter entities and/or between the promoter entities of FHL.

55 Further, Addon has not explained why in the first place it had taken an ICD (a short term loan) from Fern on March 24, 2014 and thereafter why it had to avail another loan from RFL only 3 days thereafter, to repay that loan. It somewhat appears (although not clear) that Addon has repaid the loan availed from RFL in 2014 by

borrowing from Torus in 2016. It has been mentioned at paragraph no. 13 of its submissions that Addon used to borrow funds from varius entties as loans/ICDs including the entities referred to in the SCN, in the ordinary course of business. It has submitted that its main business was that of real estate. The submissions of Addon is silent as to for what purpose did it require to purportedly borrow the aforesaid amounts in the first place and why another loan had to be availed to repay the earlier loans and what nexus does all this loan transactions have to their business of real estate. Nowhere did Addon submit that it was in the business of interest arbitrage. Further, for the loan availed from RFL in 2014 and the loan availed from Torus in 2016, no copy of the loan agreeents have been provided or referred to by Addon in its subissions. Addon is silent if such loans were secured (if so, by what means) or unsecured and why a loan had to be taken in 2016 to repay another loan obtained in 2014. Further, it is completely silent as to how it had repaid the loan availed from Torus in 2016 referred to above.

56 Therefore, based on the peculiar nature of the purported loan transactions entered into by Addon and the relationship it has had with the three borrower entities on the one hand and Ranchem (being a subsidiary of RHC holding at the relevant point in time), it cannot be accepted that their impugned transactions were genuine. I therefore conclude that Addon had in fact aided and abetted the fraudulent scheme as already detailed in the preceding paragraphs as a conduit entity and has thereby violated the provisions of SEBI (PFUTP) Regulations, as alleged. It has submitted that since the end of 2019, its management has completely changed. As already held earlier, a new management takes over a company along with its assets and

liabilities and further, there is no submission to the effect that the new management has taken any steps against the erstwhile management of Addon for using the company for such fraudulent act. Therefore the change in management can only act as a mitigating factor only to a very limited extent while computing the amount of monetary penalty that shall be imposed upon Addon.

57 With respect to the submssions of Adept, I note that Adept has admitted that Mr Anuj Chowdhry was one of the Directors in Adept and Ligare Aviation during the relevant date of transaction qua Adept i.e. December 28, 2011. According to the submissions of Adept, as on December 28, 2011, its shares were held in equal quantity by Greenline Buildwell Private Limited and Vectra Pharmaceuticals Private Limited. As already noted at paragraph no. 46 in this order, on a search conducted on the portals of the Ministry of Corporate Affairs ("MCA"), it reveals that Greenline Buildwell Private Limited ("Greenline") shares and identical office address viz. *"Office No. 103-B, Ground Floor, Plot No.45-A, Amar Plaza, Hasanpur Main Road, I.P Extension, Delhi East Delhi Delhi-110092*" with Best, Fern, Modland and Adept and also has an identical set of Directors as the other four entities. Vectra Pharmaceuticals Private Limited ("Vectra") (now amalgamated) has an email ID modland_wear@airtelmail.in (bearing stark similarity with the name of the Noticee No. 3) and one of its Directors, Ms. Prem Lata, is also a Director *inter alia* in Oscar Pharmaceuticals Private Limited (which has been under the management of MMS and SMS since 1994 and during the period of investigation), AD Advertising Private Limited and Rosestar Marketing Private Limited who too have been charged of aiding and abetting the routing of funds from FHL to its promoter entities. Another

Director of Vectra, Ms. Rana Gill is also a Director in Rexcin (Noticee no. 14 and also happened to be a Director in Noticees nos. 1, 13 and 15, during the priod of investigation. Thus, even by its own submissions, as on December 28, 2011, Adept was under the ownership and management of two such entities, who in turn, were/are under the same management as of the three borrpwer entities and/or were directly and deeply connected to other conduit entities named in this order. Also, through Vectra, Adept was connected to Oscar, an entity which was under the direct management of the promoters of FHL (MMS and SMS). Therefore, Adept was on one hand directly connected to and/or under the same management as Best, Fern and Modland and on the other hand connected to the erstwhile promoters of FHL (through Oscar).

58 Adept has submitted that the only one transaction by wherein Rs. 36.50 Crores was received by it from RHC Holding and the same were advanced to the entity Lowe. In this regard it has been put forth that the transaction was purely commercial in nature and was executed to earn interest arbitrage.I observe that it has already been established in the earlier parts in this order that Lowe was taken over by RHC Holding in December 2011. EHIRCL admittedly was a wholly owned subsidiary of FHL (and therefore, under the control of the erstwhile management of FHL/FHsL). On a search of MCA portal, it appears that one Director of Lowe, Mr. Rahul Wadhwa, is also *inter alia* a Director of Zolton Properties Private Limited (Noticee No. 23) which too is charged to play the role of a conduit entity in the present proceedings. Further, at the relevant point in time, Zolton shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland,

Fern, Torus, Tiger (Noticees nos. 3, 2, 21 and 22), fact which has been stated in the SCN and has not been disputed by the Noticee. Thus, Lowe too, (as is evident through its management and address), was connected to other conduit entities as well as to the three borrower entities.

59 Therefore, Adept was on one hand directly connected to and/or under the same management as Best, Fern and Modland and on the other hand connected to the erstwhile promoters of FHL (through Oscar) and Lowe too as already described herein above was connected to other conduit entities as well as to the three borrower entities. Further, vide additional submissions dated May 2, 2022, Addon *inter alia* submitted that it had two bank accounts, both held with Axis Bank, Karol Bagh Branch, New Delhi, where the accounts of all the other 12 entities who were part of the transactions held on December 28, 2011, to finance the repayment of the fund given out for land purchase, were also maintained, which in the reply dated May 2, 2022, Adept has submitted to be unaware of. Based on the ownership structure of Adept as alleged or even as submitted by it, at the relevant point in time; connections of Adept with the other Noticees as already described in details herein above; the nature of its impugned transactions exclusively with FHL/FHsL and other conduit entities named in this proceedings and the fact that it had maintained both its bank account in the same bank where all the other 12 entities which were part of the transactions held on December 28, 2011, also maintained their accounts from which the fund transactions on the said date took place, could not have been a mere coincidence. As already discussed earlier in this order, a case of fraud related to the securities market cannot be viewed or established from a singular piece of

evidence, but from the whole context in which the impugned actions have taken place. Therefore, I hold that the transactions entered into by Adept when considered in the larger scheme of fraud cannot be held to be genuine and Adept is liable for penalty for the violation of the provisions of SEBI (PFUTP) Regulations, as alleged in the SCN.

60 I note that apart from Adept, Addon, Ligare and EHIRCL, no other entity from within the entities mentioned at serial no. 4-25 in this order has either filed any written submissions nor has responded to the multiple notices published in this regard. However, even if I adopt the line of argument put forth by the four entities named immediately above on behalf of the remaining entities in that group (serial nos. 4-25), their role too, like that of Adept, Addon, Ligare and EHIRCL, when viewed from the angle of their owenership structure, sharing of common directors between themselves and with FHL (or its erstwhile promoters), sharing of identical office addresses, frequent and fast paced transactions on several dates between themselves, almost exclusive dealing with FHL/FHsL (or its erstwhile promoters) on the one hand and with the three borrower entities on the other hand, the very nature of their trasactions and their positions in the larger scheme of fraud which has not been disputed by any of the entities named at serial nos. 1-25 in this order, leads to a clear and unambiguous conclusion that all of them had aided and abetted the larger scheme of fraud by acting as conduit entities through whom the funds were routed out of a listed entity over a lengthy period of almost 7 years and a significant portion of such funds had not been returned to the listed entity. Their specific roles in the larger scheme has been detailed in the SCN as well as in this order based

largely upon their own banking transaction details. I note another peculiar aspect about the transactions enetered into by Best, Fern, Modland and the four entities named immediately above. None of them in their submissions could adequately establish that they had entered into similar transactions in their "usual course of business" (whatever such business they claim to have been doing) with entities other than those related/connected to FHL and/or its erstwhile promoters. In this regard, only Best had attempted to demonstrate that such transactions were also entered into by it with other entities. However, as already observed by me earlier in this order, a significant majority of the said entities were also found to be related/ connected to the entities named in the SCN, a fact, which Best had not mentioned in its submissions. As alredy noted by me while dealing with the individual submissions of Adept, Addon, Ligare and EHIRCL above, the common submissions of these conduit entities as to their ignorance of the larger scheme of fraud cannot be accepted when their individual roles are stitched together in the context of the larger frauduelent scheme which too has been brought out in minute details in the SCN as well as in this order. Therefore, I conclude that all the entities named in this order from serial nos. 4-25 had acted in a concerted manner to enable the larger scheme of fraud perpetrated by the then management of FHL and have violated the relevant provisions of SEBI (PFUTP) Regulations, as alleged in the SCN.

61 With respect to the entities at serial nos. 26-39 of this order, as already noted earlier, they were the insiders of FHL and/or FHsL at the relevant point in time when the larger scheme of fraud was perpetrated and are alleged to be the human agency through whom the said fraud was either perpetrated and/or were responsible to

prevent such fraud, which they did not deliver upon. Amongst the said entities the following have responded to the SCN by filing their written submissions and/or appeared for personal hearing: Mr. Anurag Yadav (Noticee no. 32), Mr. Harpal Singh (Noticee no. 40), Mr. Tejindar Singh Shergill (Noticee no. 43), Ms. Ritu Garg (Noticee no. 36), Mr. Ashish Bhatia (Noticee no. 34), Mr. Anurag Kalra (Noticee no. 31), Mr. Daljit Singh (Noticee no. 35), Mr. Sunil Godhwani (Noticee no. 38 i), Mr. Hemant Dhingra (Noticee no. 44) and Mr. Preetindar Singh Joshi (Noticee no. 37). I note that all the persons named at serial nos. 26-39 in this order have been alleged to be on the board of Directors of FHL and/or FHsL at the relevant point in time during the period of the investigation. However, while some of them were allegedly members of audit committee/ treasury committee/executive committee, the others were not members of any such committee.

62 Before proceeding to deal with the merits of the submissions, I find it is necessary to settle a legal premise; if all directors of a listed company can be held responsible for the conduct of the company at a given point in time:

63 I note that the judgment of the Hon'ble Supreme Court in Official Liquidator, Supreme Bank Ltd. vs. P.A. Tendolkar (Dead) by Lrs. and Ors. [MANU/SC/0005/1973] is considered to be a locus classicus on the subject, wherein it was inter alia held that:

> <u>*41. It is certainly a question of fact, to be determined upon the evidence in each case, whether a Director, alleged to be liable for misfeasance, had acted reasonably as well*</u>

> *as honestly and with due diligence, so that he could not be held liable for conniving at fraud and misappropriation which takes place. A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially. If he does so he could be held liable for dereliction of duties undertaken by him and compelled to make good the losses incurred by the Company due to his neglect even if he is not shown to be guilty of participating in the commission of fraud. It is enough if his negligence is of such a character as to enable frauds to be committed and losses thereby incurred by the Company*

In *Pooja Ravinder Devidasani v. State of Maharashtra*[(2014) 16 SCC 1], the Hon'ble Supreme Court had held as under:

> *17. There is no dispute that the Appellant, who was wife of the Managing Director, was appointed as a Director of the Company-- M/s. Elite International (P) Ltd. on 1-7-2004 and had also executed a letter of guarantee on 19-1-2005. The cheques in question were issued during April 2008 to September 2008. So far as the dishonour of cheques is concerned, admittedly the cheques were not signed by the Appellant. There is also no dispute that the Appellant was not the Managing Director but only a non-executive Director of the Company. Non-executive Director is no doubt a custodian of the governance of the company but is not involved in the day-to-day affairs of the running of its business and only monitors the executive activity. To fasten vicarious liability Under Section 141 of the Act on a person, at the material time that person shall have been at the helm of affairs of the company, one who actively looks after the day-to-day activities of the company and is particularly responsible for the conduct of its business. Simply because a person is a Director of a company, does not make him liable under the NI Act. Every person connected with the Company will not fall into the ambit of the provision. Time and again, it has been asserted by this Court that only those persons who were in charge of and responsible for the conduct of the business of the Company at the time of commission of an offence will be liable for criminal action. A Director, who was not in*

charge of and was not responsible for the conduct of the business of the Company at the relevant time, will not be liable for an offence Under Section 141 of the NI Act.

In *National Small Industries Corporation Ltd. v. Harmeet Singh Paintal*, [(2010) 3 SCC 330] it was *inter alia* held as under:

13. Section 141 is a penal provision creating vicarious liability, and which, as per settled law, must be strictly construed. It is therefore, not sufficient to make a bald cursory statement in a complaint that the Director (arrayed as an Accused) is in charge of and responsible to the company for the conduct of the business of the company without anything more as to the role of the Director. But the complaint should spell out as to how and in what manner Respondent 1 was in charge of or was responsible to the Accused Company for the conduct of its business. This is in consonance with strict interpretation of penal statutes, especially, where such statutes create vicarious liability.

14. A company may have a number of Directors and to make any or all the Directors as Accused in a complaint merely on the basis of a statement that they are in charge of and responsible for the conduct of the business of the company without anything more is not a sufficient or adequate fulfilment of the requirements Under Section 141.

64 In the case of Chintalapati Srinivasa Raju and Ors. vs. Securities and Exchange Board of India[(2018)7SCC443] the apex court *inter alia* considered the aforesaid judgments and inter alia held that:

Non-executive directors are, therefore, persons who are not involved in the day to day affairs of the running of the company and are not in charge of and not responsible for the conduct of the business of the company. [emphasis supplied]

In the case of Adesh Jain Vs SEBI (Appeal No. 217 of 2020, decided on November 19, 2020) it was held by the Hon'ble Securities Appelate Tribunal that:

"*12. Having heard the learned counsel for the parties and having given our thoughtful consideration in the matter, we are of the opinion, that the controversy involved in the present appeal is squarely covered by a decision of this Tribunal in Adi Cooper (supra) matter. In Adi Cooper (supra) the Tribunal interpreted the relevant words of the resolution "to use the fund so deposited in the aforesaid bank account as security in connection with loans if any". The Tribunal held that the loans could be taken by the Company and GDR subscription to be used as security. It was never fathomed that the subscription amount would be used for giving loans to a third party, namely, Clifford in the instant case.*

13. In addition to the aforesaid, we find that at the time when the resolution of October 19, 2007 was passed Clifford was nowhere in the picture and therefore the concept of fraud emerging through this resolution of October 19, 2007 does not arise. <u>There is no finding of the WTM that the appellant was aware of this arrangement of giving a loan to Clifford was in existence or the fact that a Credit Agreement or an Account Charge Agreement would be executed in the future. In the absence of any finding, the charge of collusion and/or fraud has not been proved. Further, by a deeming fiction, liability and/or culpability cannot be fastened upon the appellant only on the basis of a resolution dated October 29, 2007.</u>

<u>14. We also find that there is no finding of the fact that the appellant was involved in the day-to-day affairs of the management of the Company.</u>

15. We also find that the reliance of Section 27 of the SEBI Act is patently erroneous. <u>Section 27 is not applicable if the offence is committed without the knowledge of the incumbent</u>."

In view of the judicial position cited herein above, it is therefore observed that in order to hold a Director liable for the conduct of a company, it must be established that he was having the knowledge of or had reasonable means to know that a fraud was being committed and even thereafter did not take any steps to prevent such fraud from being committed. Merely being a member of the board of Directors of a company cannot ipso facto make and individual liable for an act of fraud committed by the company. It is an established principle of law that a company being a juristic entity conducts itself through its human agency, i.e., through the persons responsible for the day to day affairs of the company and those who takes decisions on its behalf.Therefore, for the scheme of fraud perpetrated by FHL for the benefit of its erstwhile promoters, which has already been established in details in the preceding paragraphs, the individual role played by each of the entities atserial nos. 26-39 of this order, need to be considered in the present proceedings.

65 I have considered the submissions of the ten entities at serial nos. 27-33, 35, 38 and 39 of this order named immediately above and my findings with respect to each one of them is placed herein below:

a) Mr Sunil Godhwani was MD, Religare Enterprises Ltd as well as a non-independent director of FHL during the period of investigation. As regards his role with respect to RHC Holding, it is seen from the copies of certain emails submitted by Mr Dhingra during the investigation of SEBI that Mr Godhwani was marked in such emails pertaining mostly to period 2008-2012 wherein discussions regarding financials as well as administrative affairs (i.e, leave & increment approvals etc of RHC Holding employees) of RHC Holding were discussed and at times also approved by Mr Godhwani. Some of the emails have discussions regarding other group companies's affairs also. However, although the said emails indicate involvement of Mr Godhwani in RHC's affairs in the period mostly before the period of investigation, he was not observed to have held any official position in RHC Holding. Infact, he responded in the said emails as MD of Religare Enterprises Ltd. In this regard, Mr Godhwani has admitted during the investigation that as Chairman & MD of Religare group which was part of promoter controlled group of companies, senior management of REL and its subsidiaries were often mandated for advisory, capital raising and M&A activities by RHC Holdings and thus, there were interactions amongst senior officials across companies controlled by MMS and SMS, however ultimate decision was with such group companies including RHC Holdings, through its senior persons/ promoters. In any case, none of the documents available on recod establish that Mr Godhwani was in actual and complete control of RHC group of companies during the entire period of investigation and/ or orchestrated the diversion of funds from FHL and FHsL, as has been alleged.

b) As regards Mr Hemant Dhingra, he was admittedly a senior employee of RHC Holding since before the period of investigation and was also the interim CFO of FHL during a short period when initial loans were granted by FHL in 2011. From the submissions made by various entities during investigation, it is seen that he managed the operations of RHC Holding as well as was on board of few companies, which were all under the ownership and control of Singh Brothers and named as conduit entities in the present proceedings.What exactly his role was as a member of the board of directors of such companies has not been brought out in the investigation. As regards his role as CFO-FHL during 2011, he has admitted to be aware of the transaction in 2011 but has stated during the investigation that the decision was not taken by him.In any case, as has been discussed in above paragraphs, the decision to issue initial ICDs in 2011was taken by Board of FHMNL, of which he was never alleged to be a member.

Thus, based on available information, it cannot be established that Mr Godhwani and/or Mr Dhingra were involved in the approval process pursuant to which the ICDs were granted by FHMNL / FHsL to the 3 borrower companies (Noticees no. 1 - 3).

Hence, although the association of Mr Sunil Godhwani and Mr Hemant Dhingra with the Singh Brothers through their respective official positions held in the companies controlled by promoter is evident, it could not be established if they had a role in approval of loans by a listed company which led to fraudulent misuse and diversion of funds from the said listed company for its promoters' benefit.No oher role of the said entities has even been alleged in the SCN. As a result thereof, the charges of violation of SEBI (PFUTP) Regulations against Mr. Sunil Godhwani (Noticee no. 38) and Mr. Hemant Dhingra (Noticee no. 44) cannot be established in the present proceedings. Further, it is to be noted that it has not been established from any records that the Noticee no. 38, was involved with the day to day affairs of FHL/FHMNL/FHsL or related/connected to any of the three borrower companies or other conduit entities. There is no material to show that he actually had the knowledge of the fraudulent scheme or had any means of knowing the said scheme. Therefore, reasonably he could have not known that the financial results were being manipulated and for that reason cannot be vicariously held liable for the misrepresentation done by FHL through its financial reports. I therefore hold that Mr. Sunil Gdhwani (Noticee no. 38) cannot be held to have violated the provisions pertaining to the disclosure requirements as alleged in the SCN.

c) Dr. Ritu Garg (Noticee no. 36) was a non-executive, non-independent director of FHsL from March 23, 2016 to November 23, 2017, a fact which cannot be controverted from any available material. The only allegation against her is that she had regularly attended meetings of the Board during her tenure especially in the FY 2016-17 and also attended such meetings where the financials of FHsL were approved by the board of Directors of FHsL. It is already established that thrugh an elaborate scheme of fraud, the siphoning of funds from a listed entity viz. FHL to it's the then promoter entities for the benefit of the latter, behind a façade of loan transactions, had been going on since 2011. It has also been discussed before as to how the financial reports of FHsL/FHL was manipulated in order to conceal such sham transactions. These have not been disputed by Dr. Ritu Garg. She has however denied having any knowledge about such fraud and the conealment of such fraud through misrepresentation in the financial report of FHsL. On the backdrop of the legal premise already established in this regard, the question that therefore needs to be answered is: if the said Noticee had knowledge or the means to have such such knowledge of the aforesaid fraudulent scheme and if so, did she take any step to stop such fraud.

d) I note that there is no material to show that Dr. Ritu Garg had been a part of any such meeting wherein ICDs/loans to the three borrower entities was approved. Thus, her direct involvement in the approval of any ICD/ loan is ruled out. Further, by the time that she had joined the board of Directors of FHsL, the task of evaluating and deciding on the grant of ICDs was aready delegated to the Treasury Committee, created in 2013 for this specific purpose. Thus, Dr. Ritu Garg cannot be expected to have known about the grant of ICDs as there is no material to show that the said topic was ever raised in any meeting attended by her and/or the grant of ICDs was related to/ was a part of the portfolio handled by her in FHsL. These facts along with the fact that financial statements of FHsL (approved inter alia by her) did not contain any reference to the grant of the said ICDs and which was placed before the board of Directors of FHsL, after being cleared by its Audit Committee, clearly establish that the Noticee could not reasonably have had any doubt about the bona fide of such reports. There is no mention in the available material of any such information / event(s) mentioned in the financial statement of FHsL which ought to have cought the attention of Dr. Ritu Garg for her to suspect the bona fide of such statements. Further, no nexus or relation has been alleged or can be stablished between Dr. Ritu Garg and the three borrower entities.Therefore, I conclude that the charge of violation of the provisions of SEBI (PFUTP) Regulations, alleged against Dr. Ritu Garg cannot be established.

e) Mr. Anurag Yadav (Noticee no. 32) was a non-executive, non-independent director of FHMNL/FHsL from November 15, 2011 to December 1, 2012. He is alleged to have approved the grant of the initial ICDs on December 28, 2011, without conducting adequate due diligence. I note that the Board of directors of FHL in its meeting dated November 14, 2011 constituted an Executive Committee, which approved the loans / ICDs by FHsL till November 2013.The Executive Committee in its meeting dated September 18, 2013, had constituted the Treasury Committee which thereafter approved the loans / ICDs by FHsL till end of the period of investigation. It is not alleged or borne out from records that the Noticee No. 32 was ever a member of with the Executive Committee or the Treasury Committee. The Noticee has submitted that as he was not a member of the Executive Commttee, he had no participation on Board of FHMNL in due diligence and selection of ICD parties.

f) I note that it has not been alleged that this Noticee had proposed the issue of ICDs to the three borrower entities in 2011. On the contrary, the proposal to issue ICDs in the FY 2013-14 must have only been placed before them for their approval after the same was evaluated upon and found appropriate by the Executive Committee, as was its mandate. It has also not been alleged that this Noticees was ever related/ connected to any of the three borrower entities or any conduit entity named in the SCN. Further, there is no mention of any particular fact/ event pertaining to the said proposal for grant of ICDs placed before the Noticee, which would have aroused suspicion of any reasonable person in his position. Thus, while approving the initial ICDs in the FY 2011, Mr. Anurag Yadav could have been under a reasonable impression that such proposal had reached him only after due evaluation and vetting done by the Executive Committee of FHsL, created specifically for discharging this function. Therefore, it is clear that evaluating and proposing the grant of ICDs was a function delegated exclusively to the Executive Committee at the time when the initial proposal for grant of ICDs was approved *inter alia* by Mr. Anurag Yadav. In this context, I note that within the members of a board of Directors, not every function of running the company is looked after by all such members. There are categorization of members for taking care of various tasks and it is reasonable for a member to rely upon the opinion of another member in a matter which has been specifically entrusted by the board to the latter for evaluation and understanding. In *Chintalapati Srinivas Raju & others vs SEBI*[(2018) 7 SCC 443], the Hon'ble Supreme Court hadinter alia cited certain passages from Lords Halsbury's judgement in *Dovey's* case which are relevant in the present context :

"*24. In instructive judgment of Lord Halsbury is contained in Dovey and the Metropolitan Bank (of England and Wales) Ltd. v. John Cory. The Lord Chancellor put it thus: (AC pp. 485-86).*

"The charge of neglect appears to rest on the assertion that Mr Cory, like the other Directors, did not attend to any details of business not brought before them by the general manager or the chairman, and the argument raises a serious question as to the responsibility of all persons holding positions like that of Directors, how far they are called upon to distrust and be on their guard against the possibility of fraud being committed by their subordinates of every degree. It is obvious if there is such a duty it must render anything like an intelligent devolution of labour impossible.Was Mr Cory to turn himself into an auditor, a managing Director, a chairman, and find out whether auditors, managing Directors, and chairmen were all alike deceiving him? That the letters of the auditors were kept from himis clear. That he was assured that provision had been made for bad debts, and that he believed such assurances, is involved in the admission that he was guilty of no moral fraud; so that it comes to this, that he ought to have discovered a network of conspiracy and fraud by which he was surrounded, and found out that his own brother and the managing Director (who have since been made criminally responsible for frauds connected with their respective offices) were inducing him to make representations as to the prospects of the concern and the dividends properly payable which have turned out to be improper and false. I cannot think that it can be expected of a Director that he should be watching either the inferior officers of the bank or verifying the calculations of the auditors himself. The business of life could not go on if people could not trust those who are put into a position of trust for the express purpose of attending to details of management. If Mr Cory was deceived by his own officers — and the theory of his being free from moral fraud assumes under the circumstances that he was — there appears to me to be no case against him at all. The provision made for bad debts, it is well said, was inadequate; but those who assured him that it was adequate were the very persons who were to attend to that part of the business; and so of the rest. If the state and condition of the bank were what was represented, then no one will say that the sum paid in dividends was excessive."

Per Lord Davey, it was held: (AC pp. 492-93)

"In this state of the evidence, my Lords, I ask whether the course of business at the board meetings, as described by the respondent, was a reasonable course to be pursued by the respondent and other Directors, or whether the knowledge which might have been derived from a careful and comparative examination of the weekly states and quarterly returns from the different branches of the bank ought to be imputed to the respondent, or (alternatively) whether he was guilty of such neglect of his duty as a Director as would render him liable to damages. I do not think that it is made out that either of the two latter questions should be answered in the affirmative. I think the respondent was bound to give his

attention to and exercise his judgment as a man of business on the matters which were brought before the board at the meetings which he attended, and it is not proved that he did not do so.But I think he was entitled to rely upon the judgment, information, and advice of the chairman and general manager, as to whose integrity, skill, and competence he had no reason for suspicion. I agree with what was said by Sir George Jessel in Hallmark case, and by Chitty, J. in Denham and Company, In re, that Directors are not bound to examine entries in the company's books. It was the duly of the general manager and (possibly) of the chairman to go carefully through the returns from the branches, and to bring before the board any matter requiring their consideration; but the respondent was not, in my opinion, guilty of negligence in not examining them for himself, notwithstanding that they were laid on the table of the board for reference. The case is no doubt one of some difficulty, but the appellant has not made out to my satisfaction that the respondent wilfully (as that term is explained in the cases I have referred to) misappropriated the company's funds in payment of dividends."

[emphases supplied]

This position when considered along with the fact that Mr. Anurag Yadav was a non-executive Director and was not connected to any of the three borrower entities, I hold that a charge of fraud cannot be held against him. Therefore, with respect to Mr. Anurag Yadav (Noticee no. 32). I conclude that the charge of violation of the SEBI (PFUTP) Regulatons cannot be established.

g) Mr Ashish Bhatia and Mr. Daljit Singh and werealso non-executive, non-independent directors of FHMNLand thereafter at FHsL. They were alleged to be present during Board meetings of FHsL wherein loans to the borrower companies were approved in FY 2013-14 as well as meeting in which the power to grant loans/invest funds was delegated by the Board to certain persons and thereby failing in their duty of exercising due diligence and aiding the fraudulent scheme of siphoning out funds from a listed entity for the benefit of its promoter entities. In this regard, I observe that there is no material to show that the said Noticees had approved the initial loan in December 2011 to the three borrower entities. As such, there is also no charge against the said Noticees to that effect in the SCN. As already established, the said initial loan was made to appear as having been repaid within the specified timeline, through an elaborate maze of fraudulent transactions. As per the submission of the said Noticees and also according to the investigation conducted by SEBI, none of the said Noticees was ever a member of the audit committee or the Treasury Committee of FHL/FHsL, the latter beenconstituted by the Executive Committee (board of directors of FHL in its meeting dated November 14, 2011 constituted an Executive Committee, which approved the loans / ICDs by FHsL till November 2013) in its meeting dated September 18, 2013 which thereafter approved the loans / ICDs by FHsL till end of the period of investigation. It is therefore not in dispute that none of these two notices (Mr Ashish Bhatia and Mr. Daljit Singh) were specifically mandated for ascertaining the viability of ICDs being granted by FHsL. Therefore, the proposal for grant of the ICDs during the Financial Year 2013-14, when came up for approval *inter alia* before Mr Ashish Bhatia and Mr. Daljit Singh, the same had already been approved by the Executive Committee. Further, as already noted, the initial grant of ICDs to the same three borrower entities had appeared successful due to the façade of repayment of the same within the specified period of time, of which these two entities reasonably had no knowledge of, nor did any of them had means to know of such a fraudulent maze of transactions conducted with respect to the grant and repayment of the initial ICDs to the same three borrower companies. It has not even been alleged that any of these two entities had any knowledge or even the means to suspect the fraudulent transactions that had happened with respect to the grant and repayment of the initial ICDs to the three borrower entities in December 2011. Further, it has also not been alleged that these two Noticees had themselves proposed the issue of ICDs to the three borrower entities either in 2011 or during the FY 2013-14. On the contrary, the proposal to issue ICDs in the FY 2013-14 must have only been placed before them for their approval after the same was evaluated upon and found appropriate by the Executive Committee, as was its mandate. It has also not been alleged that any of these two Noticees were ever related/ connected to any of the three borrower entities or any conduit entity named in the SCN. Thus, while approving the ICDs in the FY 2013-14, these two entities (Mr Ashish Bhatia and Mr. Daljit Singh) were under a reasonable impression that the initial ICDs granted to the three borrower entities have been appropriately repaid and such proposal had reached to them only after due evaluation and vetting done by the Executive Committee of FHsL. A consideration of these factors by the said two entities (Mr Ashish Bhatia and Mr. Daljit Singh) prior to granting approval to the said issue of ICDs to the three borrower entities during the FY 2013-14, cannot be held either to be unreasonable and/or a negligent act. In this regard, the excerpts from *Dovey's* caseas cited by the Hon'ble Supreme Court in *Chintalapati Raju* case (as referred to in the preceding paragraph in this order) Further, I also note that the board of Directors of FHsL granted approval for grant of such loans/ICDs upto Rs 125 crores to Best and Fern on September 12, 2013. As per the minutes of the meeting (furnished by Mr. Daljit Singh as a part of his submissions), Mr. Daljit Singh was not present for this specific board meeting. There is no material available on record to controvert this submission. Therefore, I cannot hold that Mr Ashish Bhatia (Noticee no. 34) and/or Mr. Daljit Singh (Noticee no. 35) had knowledge of the fruaudlent scheme or had reasons to doubt the genuineness of the ICDs being granted to the three borrower entities which was placed before them for approval in the FY 2013-14. With resepct to the allegation the said two Noticees had attended the meetng wherein the power to grant loans/invest funds was delegated by the Board to certain persons, no specific incidence of fraud has either been alleged or established. Delegation of powers and/or responsibilities cannot *per se* be held to be unusual in the course of business. Therefore, I hold that the charge of violation of the provisions of SEBI (PFUTP) Regulations, does not stand established against these two Noticees viz. Mr Ashish Bhatia (Noticee no. 34) and/or Mr. Daljit Singh (Noticee no. 35).

h) With respect to the role played by Mr. Ravi Umesh Mehrotra, I note that he was also a non-executive, non-independent director of FHL. He has been broadly charged for not exercising due diligence at the time of approving the financial results of FHL, leading to a violation of the provisions of the Listing Agreement, SEBI (LODR) Regulations read with Section 21 of the SCRA,

1956. I note that that no charge of violation of any provision of SEBI (PFUTP) Regulations has been brought against him. I also note that he was not a member of the Executive Committee/ Treasury committee and/or the Audit Committee of FHL or FHsL/FHMNL at the relevant point in time. Therefore neither he was specifically given the task of evauating/ approving the grant of ICDs nor was he given the specific responsibility of overseeing the financial status of FHL/ FHsL. It has not been established from any records that he was involved with the day to day affairs of FHL/FHMNL/FHsL or related/connected to any of the three borrower companies or other conduit entities. There is no material to show that he actually had the knowledge of the fraudulent scheme or had any means of knowing the said scheme. Therefore, reasonably he could have not known that the financial results were being manipulated and for that reason cannot be vicariously held liable for the misrepresentation done by FHL through its financial reports. I therefore hold that Mr. Ravi Umesh Mehrotra (Noticee no. 39) cannot be held to have violated the provisions pertaining to the disclosure requirements as alleged in the SCN.

66 With respect to Mr. Brian William Tempest (Noticee no. 41), Mr. Harpal Singh (Noticee no. 40), Mr. Pradeep Raniga (Noticee no. 42), Mr. Preetinder Singh Joshi (Noticee no. 37) and Mr. Tejindar Singh Shergill (Noticee no. 43), I note that they were members of the audit committee of FHL for various duration, during the period of investigation. Before considering their submissions on merits, the role of an audit committee as prescribed under the relevant statutes is needed to be considered.

67 The Audit Committee is one of the key compeonents of the corporate governance structure in public companies. It has the mandate of exercising principal oversight of financial reporting and disclosure, the Audit Committee aims to enhance the confidence in the integrity of the company's financial reports and announcements, the internal control processes and procedures and the risk management systems. Every public company in India having paid-up capital of not less than rupees five crores was required to constitute an Audit Committee under Section 292A of the Companies Act, 1956. The Clause 49 of the Listing Agreement, applicable only to the listed companies, required all listed companies to duly constitute an Audit Committee with a prescribed set of responsibilities.Section 177 of the Companies Act, 2013 ("CA 2013") lays down the constitution, composition and the roles and responsibilities of the Audit Committees. It applies to all listed companies and to public companies with paid up capital of rupees 100 Crore or more or aggregate outstanding loans/borrowings/debentures/deposits exceeding rupees 200 Crore. Section 177 *inter alia* provides for the following:

- Every listed company and certain classes of public companies to constitute an Audit Committee, comprising a minimum of three directors, with Independent Directors forming a majority. Majority of members of Audit Committee including its Chairperson must have the ability to read and understand the financial statement.

- The boards to lay down in writing the terms of reference for the Audit Committee.

- The terms of reference to include:

a. Recommendation for appointment, remuneration and terms of appointment of the auditors;
b. Review and monitor auditor's independence and performance and effectiveness of the audit process;
c. Examination of the financial statement and auditor's report;
d. Approval or modification of related party transactions;
e. Scrutiny of inter corporate loans and investments;
f. Valuation of assets;
g. Evaluation of internal financial controls and risk management systems;
h. Monitoring of end use of funds of the public offers;
i. Vigil mechanism for all listed companies and such other companies as prescribed by the Rules;
j. Access to Audit Committee chairperson under vigil mechanism
k. Discuss issues with internal and statutory auditors;
l. Audit Committee to call for comments of the auditors about internal control systems, scope of audit including the observations of the auditors and review of the financial statements before submission to the board;
m. The auditors and the key management personnel will have a right to be present when the financial statements is considered by the Audit Committee but will not have a right to vote; and
n. Details of establishing the vigil mechanism will have to be disclosed on the company's web site and in the Director's report.

Every Audit Committee to have an authority to investigate into any matter in relation to the items specified above or referred to it by the board and for this purpose the Audit Committee to have power to obtain professional advice from external sources and have full access to information contained in the records of the company.

68 Therefore, from the above, it can be observed that the formation and constitution of an audit committee is not a discretionary affair for a listed company, rather a statutorily mandated formation. The said committee has statutorily mandated and therefore, inescapable obligations to perform. The obligation cast upon an audit committee is not merely towards the immediate company and its shareholders, but to the public and the economy at large. It is supposed to act as an objective and dispassionate internal oversight over the financial affairs of the company. In that sense, it can be considered as the first level overseer of the financial health of a company. Further, if such company is a listed company, then the role of an audit company is all the more significant since a listed company is entitled to raise capital from the public at large and the work of an audit committee is directly related to the capacity of a listed company to raise the said capital. The said capacity of a listed company to raise capital is largely dependent on the show of its performance and the audit committee’s primary mandate is certification of such performance. It is in this context, that the statutory role of an audit committee is premised.

69 The submissions received from Dr. Preetinder Singh Joshi, Mr. Harpal Singh and Lt. Gen Tejinder Singh Shergill regarding their roles in the audit committee of FHL, although has certain distinctions from each other, are largely common on most of the points. All of them have pleaded ignorance of the fraud that was perpetrated through the self-financing of the repayment of loans granted to the three borrower entities which were intended to benefit the erstwhile promoters of FHL. All of them have pleaded that they had placed *bona fide* reliance upon the reporting received from their fellow members of the audit committee/ reports received from FHMNL or

FHsL/ reporting received from other officials of FHL/FHsL. It has also been submitted that the audit committee of FHL did not grant approval for issue of ICDs or for the extension of the time for repayment of the said ICDs and did not also know about the related party transactions. The end use of the ICDs was also not known to the audit committee of FHL. The financial statements of FHL approved by its audit committee were based on the audited statements received from FHsL. Further, it has also been commonly submitted that the members of the audit committee of FHL did not have any relation or nexus with either the three borrower entities (or the conduit entities (entities at serial no. 4-25 of this order). Additionally, Dr. Preetinder Singh Joshi has submitted that he had minimal knowledge of finance and financial statements and that his core area of expertise was medical practice.

70 I cannot accept the submissions of Dr. Preetinder Singh Joshi, Mr. Harpal Singh and Lt. Gen Tejinder Singh Shergill. As already discussed by me in the earlier parts of this order, it is an established premise that the law does not expect all directors of a company to know/ understand each and every aspect of the functioning of the company, especially in the present times, when the functioning of a listed company (more so if it be of a size of FHL) involves diverse aspects spreading over numerous subjects. However, the law expects each Director to understand and reasonably perform the task(s) assigned specifically to them. As already discussed in the immediately preceding paragraph, the mandate of an audit committee emanates from statutory prescriptions and is extremely specific in nature. Therefore, the position of a member of an audit committee (especially in case of a listed company) is not similar to that of other Directors in the same company. A member of an audit

committee must possess the wherewithal to discharge the functions as already stated above. Among the said functions, (1) reviewing and monitoring auditor's independence and performance and effectiveness of the audit process; (2) examination of the financial statement and auditor's report; (3) approval of related party transactions and (4) scrutiny of inter corporate loans and investments, assumes special significance in the present case when it is seen that extensive breach in all these four aspects had happened over a lengthy period of almost 7 years in FHL. It was the fund of FHL that was given out as loans through its wholly owned and managed subsidiary FHMNL/FHsL and the repayment of which was also funded on numerous occasions from its own funds only. Starting from the grant of initial ICDs on December 28, 2011, either the actual repayment of the ICDs happened with significant delay or did not happen at all. None of the impugned transactions already described at length in the SCN and/or in this order has been controverted by any of the members of the audit committee. It is not a case of a single transaction, but numerous sham transactions spread over a period of 7 years involving funds amounting to more than 600 Crore of a listed company (i.e. FHL) that was misused (some part of it misappropriated), without a single query being raised by any member of the audit committee. An Audit Committee has been given significant powers under the successive Companies Acts/Listing Agreements to perform its role. The Audit Committee can ask the head of the finance function, head of internal audit and representative of the stutory auditors, seek information from any employee, obtain outside legal or other professional advice if it considers necessary. There is even no submission from any of the members of the audit committee of FHL that they had invoked any of these powers to pose any question/ query with respect to the regular high value transactions which led to outflow of funds of FHL over a period of seven years and much of which remained unpaid/ never returned. If a member of the audit committee lacked the competence to understand the nuances of high value financial transactions, the same ought to have been brought on record by the concerned member at the time of his/her induction into the audit committee or even better, the concerned individual ought to have desisted from being a part of the audit committee. Similarly, placing blind reliance on other officials of the company in the matters of its financial affairs, defeats the very purpose of the formation of an audit committee, as is evident from the submissions of the aforesaid three Noticees in this case. In this regard, in the matter of *N. Narayanan vs. The Adjudicating Officer Securities and Exchange Board of India* [MANU/SB/0187/2012] it has been held that:

> *"The members of the audit committee are expected to exercise due oversight of the company's financial reporting process and to ensure that the financial statement is correct, sufficient and credible. It is also expected to conduct a meaningful review with special emphasis on major accounting entries and significant adjustments made in the accounts before putting up the statements for the approval of the Board. <u>The board of directors of the company has entrusted the audit committee with an onerous duty to see that the financial statements are correct and complete in every respect. In this background, the members of the audit committee cannot take shelter under the verifications made by the internal auditor and other professionals."</u>*

71 The members of the audit committee have raised an issue that there was no information/ event which they knew of, that could have alerted them as to the wrongdoings of the then management of FHL. In this context I note that the

members of the audit committee of FHL have been a part of that committee almost for the entire period under investigation or for a significant part thereof. During that period, funds were being regularly siphoned out of FHL, a significant part whereof was never returned (Rs. 397.12 Crore). FHMNL/FHsL was not funneling out funds from their own coffers, but the fund received from FHsL was being routed to its erstwhile promoters for the latter's benefit. Even for the much delayed repayment of ICDs issued in 2011, the initial façade of timely repayment was created by the then management of FHL by themselves financing the said sham 'timely' repayment using the funds of FHL itself. The diversion of funds to the tune of Rs. 397.12 Crore as has already been established earlier was also from the funds of FHL itself. The audit committee of FHL, whose statutory mandate was to keep a watchful eye on the financial affairs of the company in general and the four points discussed in the immediately preceding paragraph, in particular; ought not to have missed/ overlooked movement of such huge amount of money out of the company over such a long period of time. The fact that a company whose primary object is providing healthcare, regularly engaging such large chunks of its funds (in 2011, the fund given out purportedly as ICDs by FHL was around 17% of its then networth) in purportedly moneylending activities did not raise any question/ suspicion for any member of its audit committee; the non-repayment of Rs 397.12 Crore of FHL also did not raise any 'red flag' with them as also the fact that such huge amount of money was regularly being lent exclusively to three borrower entites, is beyond any logical comprehension. There is no submission from any of the said three Noticees that they had even once raised any question about the massive amount of monies going out of the company purportedly towards a business which is a far cry from the core object of the said company, let alone raising any opposition thereto. It also escaped their attention as to why three purportedly unrelated entities were being exclusively and regularly provided such hefty loans over a period of seven years. They knew well that FHMNL/FHsL was only another arm of FHL for all practical puposes. One of the said three Noticees was also on the board of FHsL. Therefore the partition that they are now attempting to draw between the functioning of FHL and it's wholly owned and controlled subsidiary FHMNL/FHsL actually never existed at the relevant point in time as is clearly evident from the ownership structure of the subsidiaries as also from the nature of the financial transactions already described. In this regard, it is also important to note that Regulations 24(2) of the SEBI (LODR) Regulations stipulates that "*The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary"*. However, as submitted by them, they were largely working on and drawing comfort from the assumptions as to the goodwill of the company and assurances received from its then management, obviousy oblivious of the serious obligations that is cast upon an audit committee. Although, it is noted that the Audit Committee did ask for a forensic audit of the issues raised by the statutory auditor i.e, Deloitte in February 2018, the same was only after concerns were raised by Deloitte and the matters highlighted by the media and regulatory agencies. It can be seen from the chronology of events with respect to the ICDs with the 3 borrowers that had the Audit Committee been alert and raised concerns at the initial stage itself, the gross misuse and diversion of public shareholder's fundsfor the benefit of promoters as well as misrepresentation in FHL's consolidated financials, could have been averted.

72 In view of all this, I hold the members of the audit committee of FHL viz. Mr. Brian William Tempest (Noticee no. 41), Mr. Harpal Singh (Noticee no. 40), Mr. Pradeep Raniga (Noticee no. 42), Mr. Preetinder Singh Joshi (Noticee no. 37) and Mr. Tejindar Singh Shergill (Noticee no. 43) to have aided and abetted the scheme of fraud perpetrated by the then management of FHL through their consistant inaction and mechanical approval of the financial statements of FHL over a period of almost seven years, thereby violating the provisions of SEBI (PFUTP) Regulations as alleged in the SCN. It is due to the lack of diligence and inaction of the said Noticees that FHL could continuously misrepresent the figures in its balance sheet as alleged in the SCN. In that regard, the said Noticees had also faciliatetd the wrong diclsoures/ misrepresentation in the financial statements of FHL through their lack of diligence in discharging their duties as members of the audit committee. Therefore, I also hold that the said Noticees have violated the requirements for disclosure under the provisions of SEBI (LODR) Regulations as alleged in the SCN.

73 With respect to Mr. Anurag Kalra and Mr. Jasbir Grewal, I note that both of them were the members of the Treasury Committee of FHsL, which was constituted in 2013, with the exclusive purpose of evaluating the grant of ICDs by FHsL. As is clear from such mandate it was the primary duty of the Treasury Committee to conduct due diligence before proposing a grant of ICDs and such a responsibility could not have been delegated by them to any other person/official. Mr. Anurag

Kalra has *inter alia* submitted that he was never a Director of either FHL or FHsL but has not denied the fact that he was a member of the Treasury Committee of FHsL. He has also submitted that he was appointed to the treasury committee of FHsL without his knowledge or consent. Mr. Anurag Kalra however has not produced any material to show that at any point in time raised any query as to why he was appointed to the Treasury Committee without prior intimation, let alone oppose the same. He has further submitted that he lacked expertise in treasury related matters. I note that by his own admission he has had experience of working as a chartered accountant for twenty years before joining FHL/FHsL. Therefore, it is absolutely unclear why a chartered accountant with more than twenty years of experience will be lacking expertise in treasury related work.

74 Further, Mr. Anurag Kalra had placed great reliance on the judgment of his superiors during his work as a member of the Treasury Committee and the fact that loans were being regularly granted to the three borrower entities since much prior to his appointement to the treasury committee and that the CFO had not raised any objection to the said loans gave him the comfort to approve such loans during his tenure at the treasury committee. I find these submissions lacking any merit considering the role assigned to the treasury committee. The treasury committee was constituted to evaluate the grant of ICDs and propose for such grant after obviously independenty satisfying itself about the viability of such loans. For ths purpose independent due diligence ought to have been exercised by the members of the treasury committee which necessitates independent application of mind and not blind reliance upon senior officials or the management of the company. None of

the members of the Trasury Committee has been able to submit on what documents they had relied upon for conducting the due diligence as to the viability of loans proposed / approved by them. The fact that such loans have been granted to purportedly unrelated entities regularly over a long period of time should not have stopped them from undertaking an independent evaluation of the ICDs that were granted during their tenure. This assumes all the more importance due to the fact that Haribhakti Report (on which significant emphasis has been placed by Mr. Anurag Kalra in his submissions) had come in January 2016 and the loans in question were approved by him on April 1, 2017 and June 30, 2017, i.e., after almost 1 year 3 moths and 1 year 6 months from the date of the said report. It is reasonable to expect from a chartered accountant having experience of more than twenty years and sitting in a position to approve loans worth more than fifty crores in single tranches, to understand that creditworthiness is a dynamic concept and a time period of one year and above reasonably demands revaluation of the creditworthiness of the borrowers. This was more so in the wake of the decision of the government of India to cancel the legal tenders of high value currency notes ("demonetization") on November 2016. This revaluation of the three borrower entities was never sought or porposed by Mr. Anurag Kalra. He has also stated that he used to wait for the "other senior members of the treasury committee" to record their approval with respect to the grant of ICDs before recording his own approval. This is absolutely no tenable defense. Being the last signatory on a document does not in any way lessen the rigours that might follow as a consequence of the said document. Mr. Anurag Kalra has also stated that sensing a liquidity issue being faced by the Fortis group, he had not approved a proposal for grant of ICDs in September 2017. I note that this was quite late and definitely after the resignation of the statutory auditors of FHL. Therefore, this could have been a measure to protect himself when perhaps it was sensed that the malpractices could no more be concealed. In any case, such a loan act purportedly out of a sudden sensibility, cannot wash away the lack of diligence exercised by Mr. Anurag Kalra (being a member of the treasury committee which was created and mandated specifically for evaluation of ICDs before proposing their grant) as already described in the preceding part. I note that the allegations against Mr. Jasbir Grewal are similar to that of Mr. Anurag Kalra. No response was received from him to the SCN. It is not in doubt that he was a Director of FHsL at the relavant period of time during the period of investigation. Even if the arguments tendered by Mr. Anurag Yadav are adopted for him, the same conclusion has to be arrived at with respect to his role as a member of the treasury committee as in the case of Mr. Anurag Yadav. Thus, I hold Mr. Anurag Kalra and Mr. Jasbir Grewal to have violated the provisions of SEBI (PFUTP) Regulations as alleged in the SCN.

75 In view of the violation of the provisions of law by the Noticees, as established above, the Noticees are liable for monetary penalty under the provisions of Sections 15HA and 15HB of the SEBI Act. While determining the quantum of penalty under Sections 15HA and 15HB of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which reads as under:-

76 At this juncture, reliance is placed upon the Order of the Hon'ble Supreme Court in the matter of *Chairman, SEBI Vs Shriram Mutual Fund* {[2006]5 SCC 361} – where the Hon'ble Supreme Court of India held that:-

> *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant….."*

77 In the instant matter, I note that the material made available on record has not quantified the amount of disproportionate/ ill-gotten gains made by the Noticees and the loss suffered by investors as a result of the default committed by the Noticees. However, the repetitive nature of the sham transactions which had continued almost regularly over a period of seven years, the huge amount of money misappropriated from the listed company, i.e., FHL (around Rs. 397.12 Crore), the serious misrepresentations which have happended year on year in the financial statements of FHL, the elaborate scheme of fraud that was perpetrated to benefit the erstwhile promoters of FHL at the cost of the finances of a listed compay, makes the instant case an extreme cause of concern for the integrity of the securities market and cannot be viewed lightly. This is not a case involving disclosure violations alone or fraud over a single transaction or small number of transactions. The elaborate arrangement through which the fraud was perpetrated cannot be viewed as an error in judgment or due to the lack of understanding on the part of its perpetrators. A company having the market capitalization of the magnitude of FHL (during the entire period under investigation) when misrepresents to the securities

market at large, has to be condered as a extremely serious case, no part of and no contributors to which can be condoned. The false portrayal of the financial status of FHL year on year basis, had the potential to induce the shareholders to continue holding their stake in FHL, when if the related party transactions and end use of the ICDs would have been known by the investors, they would have perhaps exited from their holdings in the company. The interest of the investors and the orderly development of the securities market require that perpetrators of such activities should be suitably penalized. Such stark defiance displayed by the Noticees (who have been found to be non-compliant in the present case) towards regulatory framework and severe *mala fide* which is written all over the fraudulent scheme in the present case deserves stringent penalty. Therefore, I am of the view that this is a fit case to impose such penalty that commensurate with the gravity of the violations committed by the Noticees.

ORDER

78 After taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the Adjudication Rules, I hereby impose the following penalties on the Noticees (against whom the charges have been established), payable individually, which is tabulated herein below:

Sl. No.	Name of the entity	Violations established	Penalty
1.	Best Healthcare Private Limited. (AADCB1811A)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 5 Crore**
2.	Fern Healthcare Private Limited. (AACCR3509E)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 5 Crore**
3.	Modland Wears Private Limited (AAACM0216F)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 5 Crore**
4.	Escorts Heart Institute and Research Centre Limited (AAACE8731F)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
5.	Fortis Healthcare Holdings Pvt Ltd (AAACF6715A)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
6.	RHC Finance Private Limited (AAACW7196C)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
7.	Shimal Healthcare Private Limited (AADCR9657A)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
8.	ANR Securities Private Limited (AADCA7654E)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
9.	Oscar Investments Limited (AAACO1722C)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and	**Rs. 1 Crore**

		4(1) of the SEBI (PFUTP) Regulations, 2003	
10.	Ligare Aviation Limited (formerly - Religare Aviation Limited) (AAACV3934B)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
11.	Adept Lifespaces Pvt Ltd (Formerly - Adept Creations Pvt Ltd) (AAACF6715A)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
12.	Best Cure Pvt Ltd (New Name - Devera Developers Pvt Ltd) (AAACW7196C)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
13.	Rexcin Finance Private Limited (AADCR9657A)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
14.	Best Medicines Pvt Ltd (New Name - Best Health Management Private Limited) (AADCA7654E)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
15.	Artifice Properties Private Limited (AAACO1722C)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
16.	Ranchem Private Limited (AAACV3934B)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
17.	Addon Realty Private Limited (CIN No. - U74120DL2008PTC173921)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
18.	AD Advertising Private Limited (CIN No. -	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and	**Rs. 1 Crore**

	U74120DL2008PTC173921)	4(1) of the SEBI (PFUTP) Regulations, 2003	
19.	Rosestar Marketing Private Limited (AAFCR2252M)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
20.	Torus Buildcon Private Limited (AACCT8158M)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
21.	Tiger Developers Private Limited (AACCT7439H)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
22.	Zolton Properties Private Limited (AAACZ2996D)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
23.	Saubhagya Buildcon Private Limited (AALCS1157L)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
24.	Lowe Infra and Wellness Private Limited (AABCL4590L)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
25.	Fortis Global Healthcare Private Ltd (AABCF4146Q)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c)&(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003	**Rs. 1 Crore**
26.	Jasbir Grewal (ABUPS7890M)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4(1) of the SEBI (PFUTP) Regulations, 2003.	**Rs. 25 Lacs**
27.	Anurag Kalra (AHUPP2196B)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4(1) of the	**Rs. 25 Lacs**

		SEBI (PFUTP) Regulations, 2003.	
28.	Preetinder Singh Joshi (ACPPJ8362F)	Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4(1) of the SEBI (PFUTP) Regulations, 2003. Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015.	**Rs. 25 Lacs**
29.	Harpal Singh (ABEPS1662H)	Clause 49(I)(D) of the Listing Agreement, Clauses 49(I)(D)(1)(b); 49(I)(D)(2)(f); 49(I)(D)(3)(c),(f),(g),(i),(l), 49(II)(D)(1),(4),(5), 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA,1956 and Regulations 4(2)(f)(i)(2); 4(2)(f)(ii)(6); 4(2)(f)(iii)(1)(3),(6),(7),(9),(12) & 26(3) of SEBI (LODR) Regulations, 2015; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015.	**Rs. 25 Lacs**

30.	Brian William Tempest (DIN No. – 00101235)	Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015	**Rs. 25 Lacs**
31.	Pradeep Raniga (DIN No. – 03291083)	Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015	**Rs. 25 Lacs**
32.	Lt. Gen. Tejinder Singh Shergill (AHOPS1322E)	Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49((III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015	**Rs. 25 Lacs**

79 The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at linkhttps://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

80 The said demand draft and its details or details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief (Enforcement Department-DRA-I), the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4 – A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

Case Name :	
Name of Payee :	
Date of Payment:	
Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

81 In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings including, but not limited to, recovery proceedings may be initiated under section 28A of the SEBI Act, for realization of

the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

82 In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : May 18, 2022 **G. Ramar**

Place : Mumbai **Adjudicating Officer**