WTM/AB/IVD/ID2/18060/2022-23

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

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

S. No.	Noticee Number as per SCN	Name of Noticees	PAN
1.	1	RHC Holding Private Limited	AAKCS7686P
2.	2	A-1 Book Company Private Limited	AACCA6193R
3.	3	Religare Corporate Services Ltd (now Finserve Shared Services Pvt Ltd)	AAFCR4772G
4.	4	Malav Holdings Private Limited	AADCM1170B
5.	5	Shivi Holdings Private Limited	AAACO2664H
6.	6	Mr. Malvinder Mohan Singh	AABPS2552G
7.	7	Mr. Shivinder Mohan Singh	AAKPS4318M
8.	8	ANR Securities Private Limited	AADCA7654E
9.	9	Religare Enterprises Limited	AAACV5888N
10.	10	Mr. Sunil Godhwani	AACPG6998F
11.	11	Mr. Anil Saxena	AATPS5 319P
12.	13	Religare Finvest Limited	AAFCS6801H

(Aforesaid entities are hereinafter individually referred to by their respective name or noticee number and collectively as "the Noticees".)

In the *matter of* Religare Enterprises Ltd.

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

"……..

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

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

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

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

dated March 14, 2019, BRNL preferred an Appeal No. 355 of 2019 before Hon'ble SAT. While disposing of the said Appeal no. 355 of 2019, vide its order dated August 9, 2019, Hon'ble SAT passed the following directions:

> "1. The appellant is challenging ex-parte ad-interim order dated 14th March, 2019. One of the contentions raised by the appellant is that no opportunity of hearing was given. Learned counsel for SEBI contends that after the passing of the impugned order the appellant was heard in June, 2019 and written submissions were filed by the appellant in July, 2019. It was further contended that the final order will be passed within a month.
>
> 2. Considering the aforesaid, we dispose of the appeal without going into the merits of the case directing the respondent to pass a final order within four weeks from today. In the event, the order is not passed it would be open to the appellant to file an application for recall of our order."

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

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

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

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

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

4. Being aggrieved by the Confirmatory Order, Noticee no. 4 and 6 preferred Appeal no. 1 of 2021 before Hon'ble SAT. The said Appeal came to be dismissed on August 31, 2021 for want of prosecution. Another Appeal bearing no. 522 of 2020

was filed by Noticee no. 5 and 7, impugning the Confirmatory Order. While dismissing the Appeal no. 522 of 2020 on December 24, 2020, the Hon'ble SAT issued the following directions:

> "……
> 10. Having heard the learned counsel for the appellant, we find that the appellant did not challenge the ex-parte interim order dated March 14, 2019. Nothing prevented him from filing an appeal. The appellant was arrested much later on October 10, 2019 after passing of the confirmatory order. The said orders have been continuing against the appellant and there is no reason why the said order should not continue till the completion of the proceedings.
>
> 11. We have been informed that a show cause notice has been issued to the appellant on November 17, 2020 directing the appellant to file his objection, if any. In our view, once a show cause notice has been issued it would appropriate that the appellant contest the matter before the WTM and file his objection. At this belated stage it is not appropriate to dwell into the contention raised by the appellant that such interim orders cannot be passed either under Section 11B or under Section 11(4) especially when such orders have been continuing since March 14, 2019.
>
> 12. We also find that the appellant was a Director and Promoter in REL/ RFL when the alleged diversion of funds took place. Thus, at this stage the contention of the appellant that he has nothing to do with the diversion of funds cannot be accepted in principle at this stage. It is, however, open to the appellant to contest the matter before the WTM and prove by filing cogent evidence that he has nothing to do with the alleged diversion of funds.
>
> 13. In the light of the aforesaid, we are not inclined to interfere in the impugned orders at this belated stage. <u>The appeal fails and is dismissed with a direction that the WTM will decide the matter within six months (6 months) from the date the appellant files his objection/ reply to the show cause notice.</u> In the circumstances of the case, parties shall bear their own costs……"

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

6. I also note that, after completion of investigation by SEBI, a show cause notice dated November 17, 2020, (hereinafter referred to as '**SCN**'), came to be issued to the Noticees herein, alleging the following violations:

Noticee	**Violations alleged in the SCN**
Noticee no. 1 to 13	Section 12A(a), 12A(b) & 12A(c) of the SEBI Act, 1992 and Regulations 3(b), 3(c) & 3(d) and 4(1) of the SEBI (PFUTP) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**"); Section 15HA of the SEBI Act, 1992.
Noticee no. 9	Regulation 4(2)(f) and 4(2)(r) of PFUTP Regulations, 2003 as well as Clauses 32 and 36 of the Listing Agreement, Clause 49(I)(C)(1)(a) & 49(I)(C)(1)(d) of the Listing Agreement {post circular dated April 17, 2014} read with Regulation 103 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") and Section 21 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA, 1956**"); Regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(1)(g), 4(1)(h), 4(1)(i), 4(1)(j), 30(1) and 48 of LODR Regulations. Section 15HB of SEBI Act, 1992 and Section 23E of SCRA, 1956.
Noticee no. 10 and 11	Clause 49(IX) of the Listing Agreement (post circular dated April 17, 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 LODR Regulations. Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.
Noticee no. 6, 7 and 10	Clauses 49(I)(D)(1)(b), 49(I)(D)(2)(f), 49 circular (I)(D)(3)(c),(f),(g),(i),(l) & 49(II)(E)(2) of the Listing Agreement (post dared April 17, 2014) read with

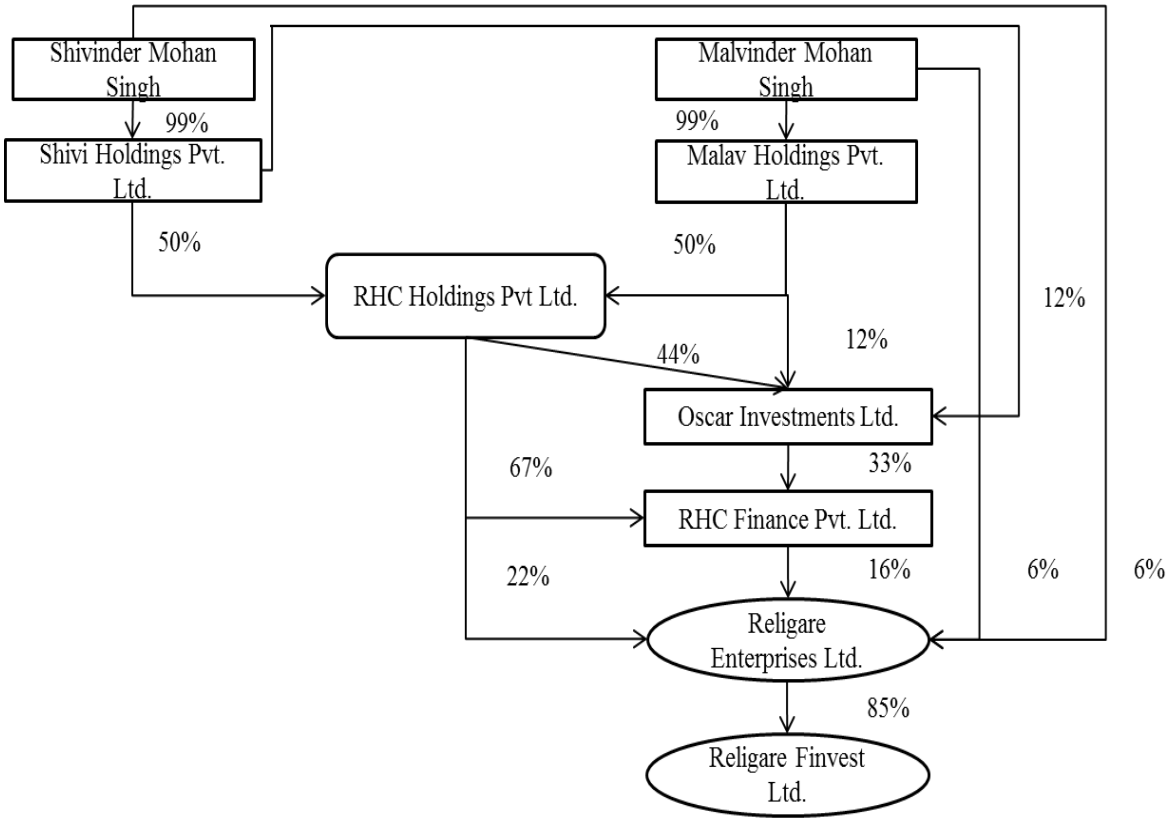
	Regulation 103 of the LODR Regulations and Section 21 of the SCRA, 1956 and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(6), 4(2)(f)(iii)(1),(3),(6),(7),(9),(12) & 26(3) of LODR Regulations. Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.
Noticee no. 6 and 7	Clause 49(I)(D)(1)(a) of the Listing Agreement read with Regulation 103 of the LODR Regulations and Section 21 of the SCRA,1956 as well as Regulation 4(2) (f)(i)(1) of LODR Regulations. Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.
Noticee no. 10	Clauses 49(III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendment dated April 17, 2014} read with Regulation 103 of the LODR Regulations and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1) under Part C of Schedule II and Regulations 24(2) of the LODR Regulations. Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.

For the aforesaid alleged violations, the SCN has called upon the Noticees to show cause as to why appropriate directions as deemed fit under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 and Section 12A(1) of SCRA, 1956, should not be issued against them. They were also called upon to show cause as to why appropriate directions for imposing penalty under Sections 11(4A) and 11B(2) read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Rules, 1995**") and Section 12A (2) of SCRA, 1956 read with Securities Contract (Regulation) (Procedure for holding inquiry and imposing penalties) Rules, 2005 (hereinafter referred to as "**Rules, 2005**"), should not be issued against them.

7. The following paras is the extract of the SCN, mentioning the allegations made against the Noticees:

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

Chart 1 – Ownership Structure of REL & RFL



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

7.2. Thus, the majority shareholders of REL during the investigation period **(i.e. from April 1, 2011 to March 31, 2018)** were RHC Holdings and RHC Finance Pvt Ltd. These RHC group companies were in turn, entirely held by Shivinder Mohan Singh and Malvinder Mohan Singh through Shivi Holdings Private Limited and Malav Holdings Private Limited. Thus, Noticee no. 6 and 7 (hereinafter collectively referred as the "**Erstwhile Promoters**"), through entities controlled by them, were the controlling shareholders and promoters of REL.

7.3. RFL was a material subsidiary of REL during the investigation period and REL held 85.64% shareholding in RFL as on March 31, 2018. Further, as on March

31, 2018, RFL contributed to 57% of the consolidated revenues of REL and 96.3% of the consolidated net-worth of REL.

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

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

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

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

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

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

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

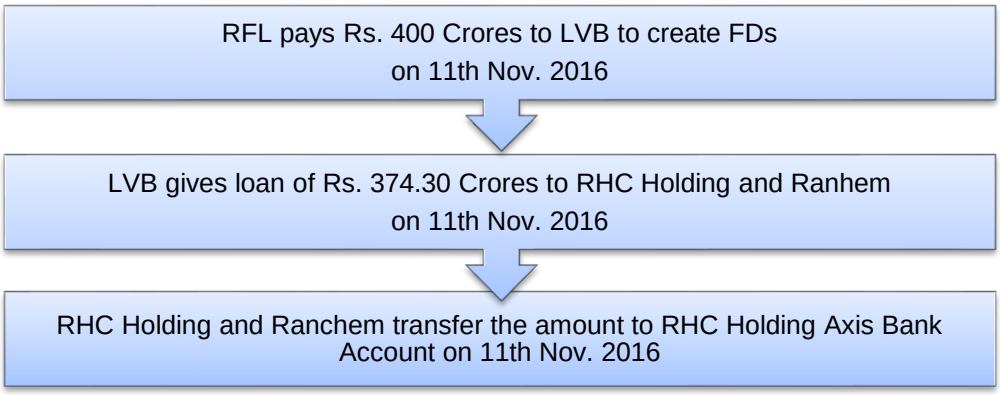
Date	Loan Given to	Amount (Rs in crores)	Interest p.a.
11th Nov 2016	RHC Holding	199.50	9.80%
11th Nov 2016	Ranchem	174.80	9.80%
31st Dec 2016	RHC Holding	8.84	9.80%
31st Dec 2016	Ranchem	13.49	9.80%
09th Jan 2017	RHC Holding	332.50	9.80%
	Total	**729.13**	

7.4.1.3. Also, the aforesaid FDs were observed to have been rolled over multiple times till LVB adjusted them for the first time in July 2017 against the loans it had granted to RHC Holding and Ranchem Pvt. Ltd. due to non-

repayment of loans. Thereafter, although LVB was observed to have restored the said fixed deposits in November 2017, due to subsisting default, LVB again was seen to have foreclosed and appropriated the FDs towards outstanding loan amounts on February 20, 2018.

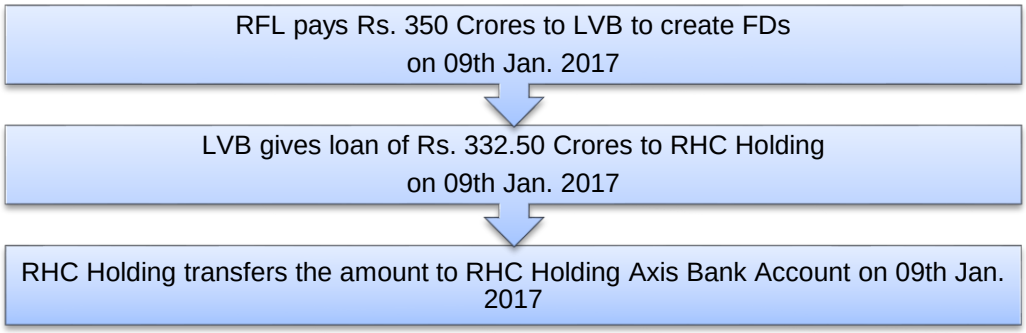
7.4.1.4. The movement of funds pursuant to creation of the aforesaid FDs and grant of loans have been shown in the following diagrams: -

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



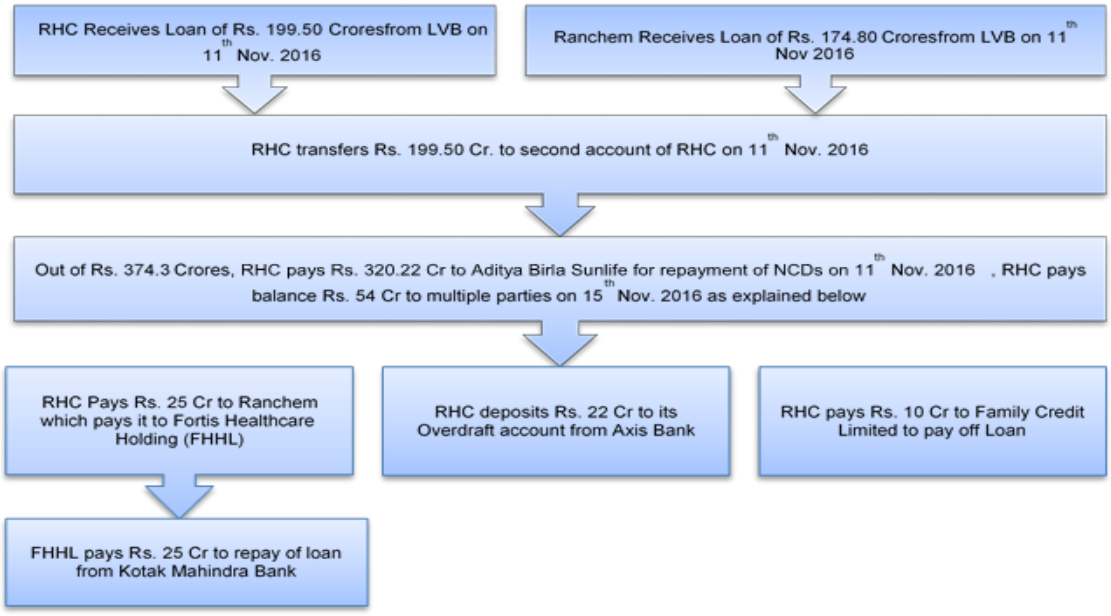
7.4.1.5. Additional Loan of Rs. 22.33 Crores was given by LVB to RHC Holding (Rs. 8.84 Crores) and Ranchem Pvt. Ltd. (Rs. 13.49 Crores) on 31st December 2016, which was further transferred to RHC Holding on the same day. Thus, cumulative loan of Rs. 396.63 crores was given by LVB to RHC Holding and Ranchem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

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

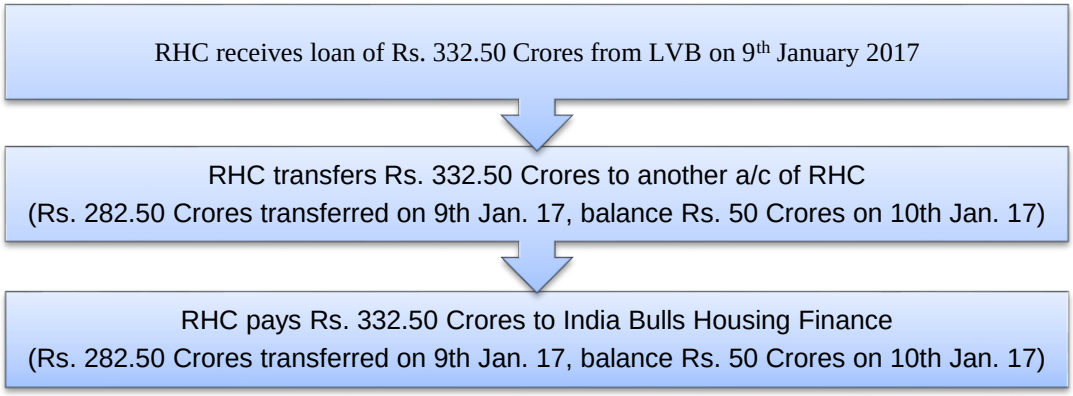


7.4.1.6. In this regard, the utilisation of aforesaid loans given to RHC Holding and Ranchem Pvt. Ltd. were analysed and it was observed that the said promoter group entities had utilized the funds to pay off their debts to multiple entities and for internal purposes. The pictorial presentation of the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

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



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



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

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

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

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

7.4.1.8.1. Although RFL and REL had banking relations with some of the largest banks in India, RFL decided to open FDs with LVB which had a total net worth (aggregate of share capital and Reserves & Surplus) of only Rs. 1,763.59 crores as on 31st March 2016. Further, FDs placed with LVB were the only ones against which no credit facility was availed and RFL placed funds in FDs of LVB earning them 4.50% - 5.25% p.a. when they were paying 10.10% - 10.19% p.a for overdraft loans, thereby resulting in a direct loss of over 5% on the whole amount.

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

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

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

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

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

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

7.4.1.8.8. LVB acted on the premise that the three companies i.e, RFL, RHC Holding and Ranchem Pvt. Ltd. were group companies under the same

promoters and created security against FDs of RFL without ensuring proper authorisation of the same by RFL.

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

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

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

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

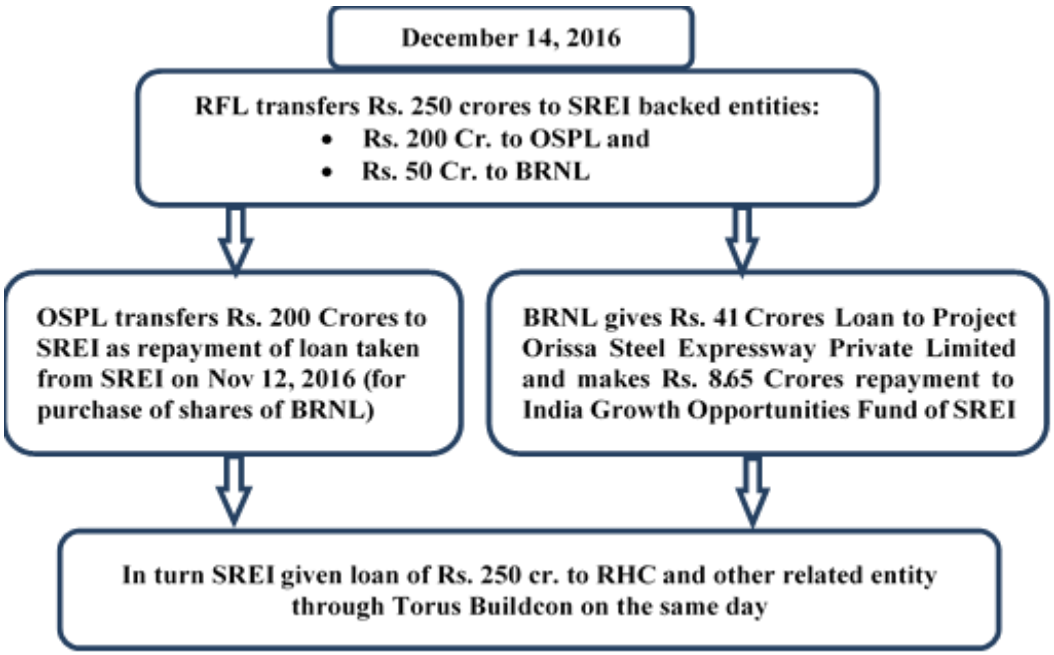
7.4.2.3. On analysis of the relevant ledgers as well as fund transactions, it was observed that the aforesaid NCDs/ loans were part of back to back loan transactions entered by RFL with OSPL & BRNL (backed by SREI) and with the promoter group company RHC Holding on December 14, 2016, which were carried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

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

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

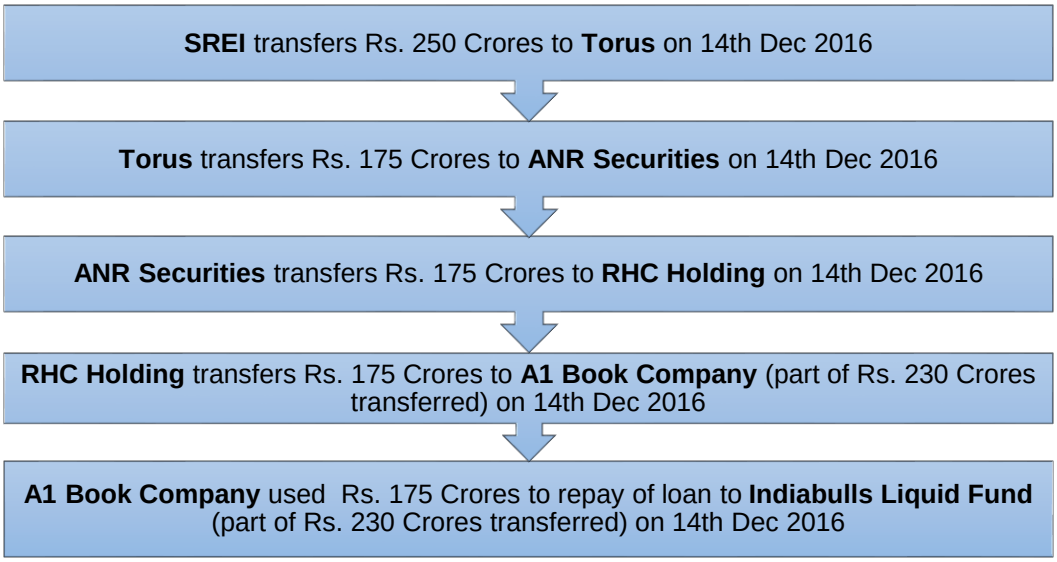
7.4.2.3.3. OSPL had received loan of Rs. 195.16 Crores from SREI on November 12, 2016. On the same day, OSPL had invested the money in the shares of BRNL. Thus, SREI had financed the purchase of shares of BRNL by OSPL.

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

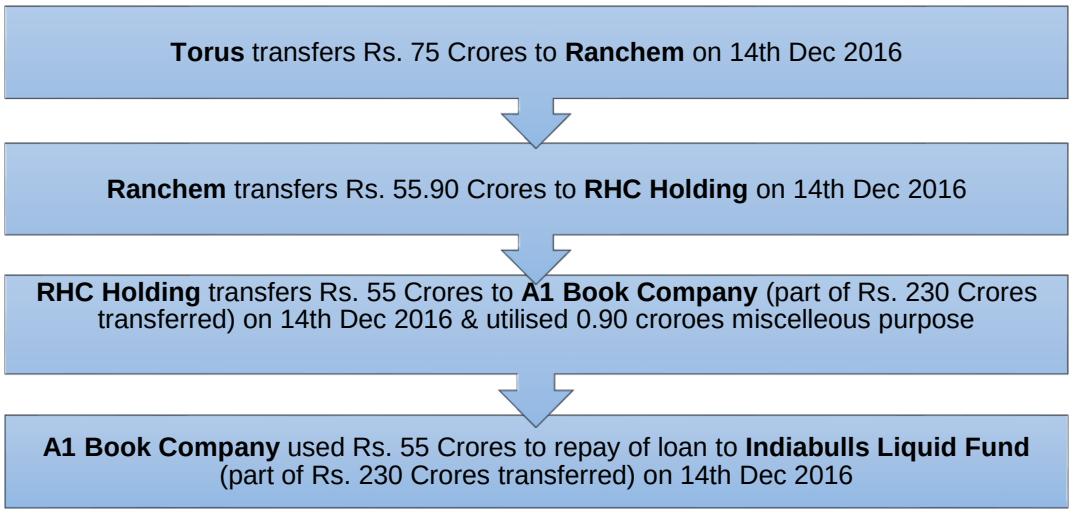


7.4.2.4. Ultimate beneficiaries of the Loan of Rs. 250 Crores.

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



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



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

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

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

↓

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

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

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

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

Ultimate Beneficiary and usage of funds	**Transferred through**	**Amount (In Rs crores)**
RHC Holding – used to pay off loan of **Indiabulls Liquid Fund**, in the books of A1 Book Company	175.00 through ANR 55.00 through Ranchem	**230.00**
Religare Corporate Services A Promoter controlled entity	Ranchem	**19.10**
RHC Holding – used for miscellaneous purposes	Ranchem	**0.90**
TOTAL		**250.00**

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

7.4.2.6.1. RFL granted a loan of Rs 50 crores to BRNL and Rs 200 crores to OSPL on December 14, 2016, without carrying out adequate due

diligence and with significant waivers on account of the entities being known to promoters.

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

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

7.4.2.6.4. At the end of the loan tenure, i.e. on December 14, 2017, RHC Holding was unable to service its loan taken through Torus Buildcon Pvt. Ltd. from SREI. Consequently, even SREI did not repay the loan it had taken from RFL in the books of BRNL & OSPL. Thus, loans granted by RFL to the extent of Rs 250 crores remained unpaid. However, considering that loan amount of Rs 50 crores alongwith interest have since been repaid in September 2019, the outstanding loan amount (excluding interest) due from OSPL stands at Rs 200 crores and the same is alleged to have been diverted from REL through RFL for the benefit of RHC Holding (through A1 Book Company Pvt. Ltd.) and also for the benefit of Religare Corporate Services Ltd.

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

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

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

Sl. No.	Borrower Name	Principal O/s as on May 31, 2018 (Rs. In Crores)	Borrower contact person –as provided by REL
1	Artifice Properties Pvt. Ltd.	165.00	Group-1 (Mr. Sanjay Gupta / Mr. Sanjeev Singhal)
2	Best Health Management Pvt. Ltd.	40.00	
3	Devera Developers Pvt. Ltd.	40.00	
4	Vitoba Realtors Pvt. Ltd.	35.00	
5	Fern Healthcare Pvt. Ltd.	150.00	
6	Modland Wears Pvt. Ltd.	155.00	
7	Platinum Infrastructure Pvt. Ltd.	109.30	Group-1 (Mr. Sandeep Shukla)
8	Ad Advertising Pvt. Ltd.	100.00	Group-1 (Mr. Sanjay Gupta / Mr. Sanjeev Singhal)
9	Rosestar Marketing Pvt. Ltd.	150.00	
10	Star Artworks Pvt. Ltd.	150.00	
11	Zolton Properties Pvt. Ltd.	160.00	
12	Tripoli Investment & Trading Company	150.00	
13	Volga Management and Consultancy Pvt. Ltd.	150.00	
14	Torus Buildcon Pvt. Ltd.	5.00	
15	A & A Capital Services Pvt. Ltd.	100.00	
16	Gurudev Financial Services Pvt. Ltd	100.00	

17	Tara Alloys Ltd.	85.00	Group -2 (Mr. Narendra Kumar Goushal)
18	Abhiruchi Distributors Pvt. Ltd.	92.40	
19	Annies Apparel Pvt. Ltd.	100.00	
20	Religare Comtrade Ltd.	125.00	Group-3 (REL Group Company)
21	Religare Enterprises Ltd.	185.50	
22	Bharat Road Network Ltd.*	50.00	Mr. Bajrang Choudhary
	Total	**2,397.20**	

**The utilisation of loan given to BRNL has already been discussed at para 7.4.2*

7.4.3.2. Upon detailed analysis of the ledgers and bank statements w.r.t aforesaid borrowers, it was observed that aforesaid loans given by RFL ultimately benefitted the promoter entities of REL for varied purposes. Further, all the borrowers were seen to have followed almost similar modus operandi of transferring the proceeds of their respective loans to promoter group companies of REL. The detailed analysis of the various loans as mentioned at Table 6 above is given below:-

A. Loan given by RFL to Artifice Properties Private Limited

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

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

Background of Artifice Properties Private Limited

The shareholding structure of the company

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

Financial Results

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

Analysis of the fund transactions

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

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

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

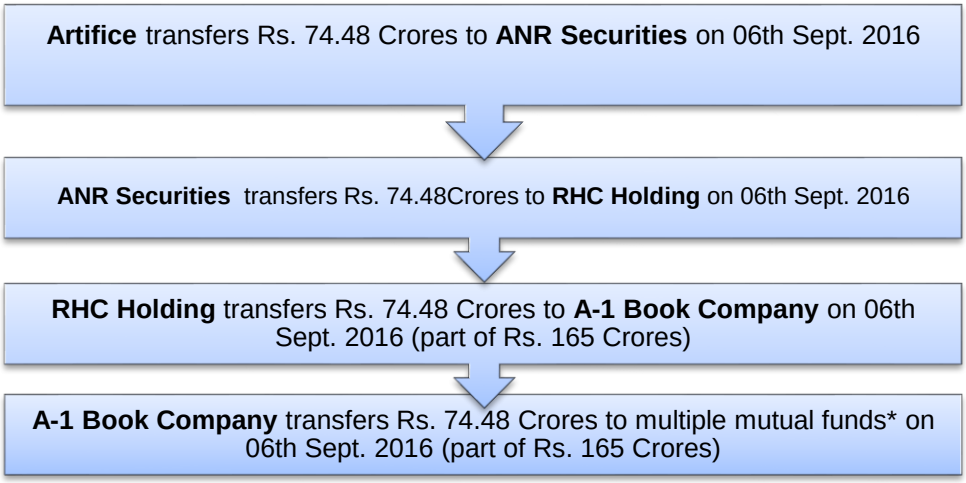
The trail of the above two transfers of Rs 90.50 Crores to A&A Capital and Rs 74.48 Crores to ANR Securities Pvt. Ltd. was as under:

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

RFL had transferred Rs. 165 Crores to Artifice, who further transferred Rs. 90.50 Crores out of the Rs.165 Crores received, to A&A Capital. This Rs. 90.50 Crores was used by A&A Capital to repay earlier loans of Rs. 86 Crores taken from RFL itself. The details of the same has been discussed in the para 7.4.3.2 (M) below:-

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

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



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

Amount	**Particulars**
90.50 Crores	Utilised to pay off earlier loan of Rs. 86 Crores given by RFL to A&A Capital. The utilisation of loan of Rs. 86 Crores has been discussed in para 7.4.3.2 (M) below .
74.48 Crores	The amount has been utilised by RHC Holding to pay off liabilities in the books of A-1 Book Company due to multiple mutual funds.
165 Crores	**Total**

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

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

Particulars	**Terms**		
Name of entity	**Best Health**	**Devera**	**Vitoba**
Purpose	Not availbale	Not Available	Not Available
Proposed loan amount	Rs. 40 crores	Rs. 40 crores	Rs. 35 crores
Loan Tenure	24 months	24 months	24 months
ROI	13.20% p.a.	13.20% p.a.	13.20% p.a.
Repayment schedule	Bullet repayment of principal at the end of the	Bullet repayment of principal at the end of the	Bullet repayment of principal at the

	loan tenure. Prepayment as per mutual consent	loan tenure. Prepayment as per mutual consent	end of the loan tenure. Prepayment as per mutual consent
Security	Secured	Secured	Secured
Collateral*	Agricultural land	Agricultural land	Agricultural land

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

Background of the borrowers

The shareholder details of the borrowers were as follows: -

Best Health Management Private Limited

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

Devera Developers Private Limited

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

Vitoba Realtors Private Limited

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Best Healthcare Private Limited	16010	50%
2	Devera Developers Private Limited	16010	50%
	Total	**32020**	**100**

Financial status of the company (Rs. In crores)

Best Health Management Private Limited

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

Devera Developers Private Limited

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

Vitoba Realtors Private Limited

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

Analysis of the fund transactions

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

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

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

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

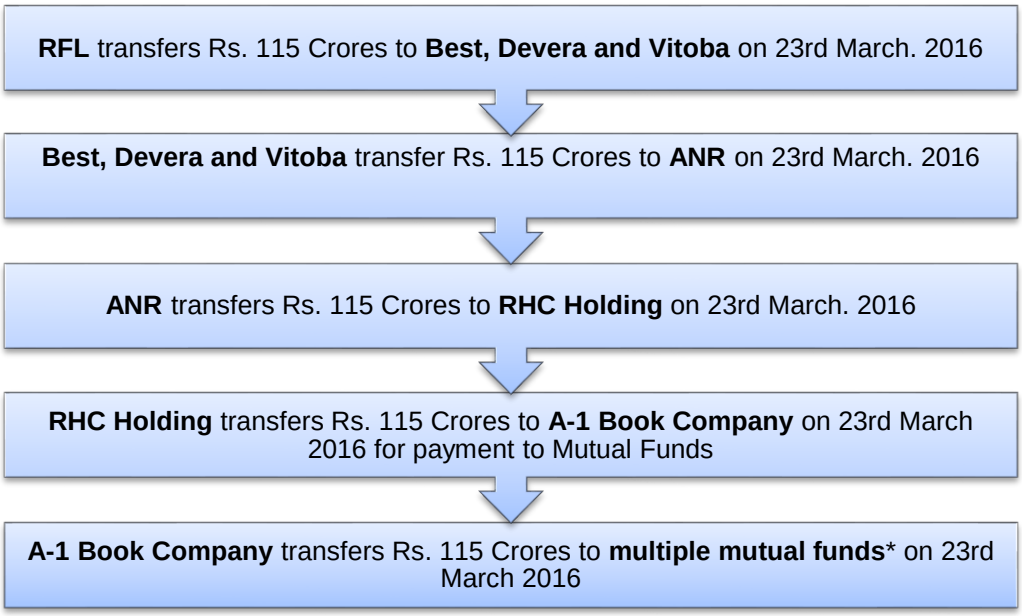
ii. Payment of Rs. 40 Crores to Devera Developers Pvt. Ltd. ('Devera') (Erstwhile Best Cure Pvt. Ltd.) on 23rd March 2016

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

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

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

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



It was thus observed from the above analysis that funds of Rs. 115 Crores given by RFL to Best, Devera and Vitoba was immediately transferred to and utilised by RHC Holding to pay off liabilities in the books of A-1 Book Company due to multiple mutual funds on March 23, 2016.

C. Loan given by RFL to Fern Healthcare Private Ltd

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

Particulars	**Terms**
Purpose	Working Capital requirement/General
Proposed loan amount	Rs. 150 Crores

Loan Tenure	Upto 12 months
ROI	14% p.a.
Repayment schedule	Interest payment quarterly, Bullet repayment at the end of the loan tenure. Prepayment without pre payment penalty at the option of the borrower.as per mutual consent
Security	Unsecured
Collateral	NA

Background of Fern

Shareholding details

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

Director details

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

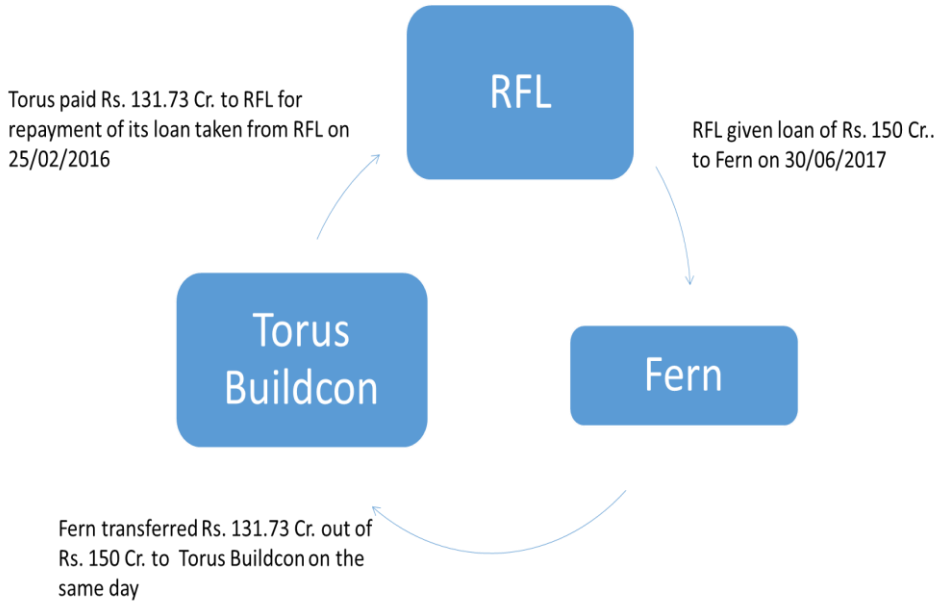
Financial status (Rs. In crores)

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

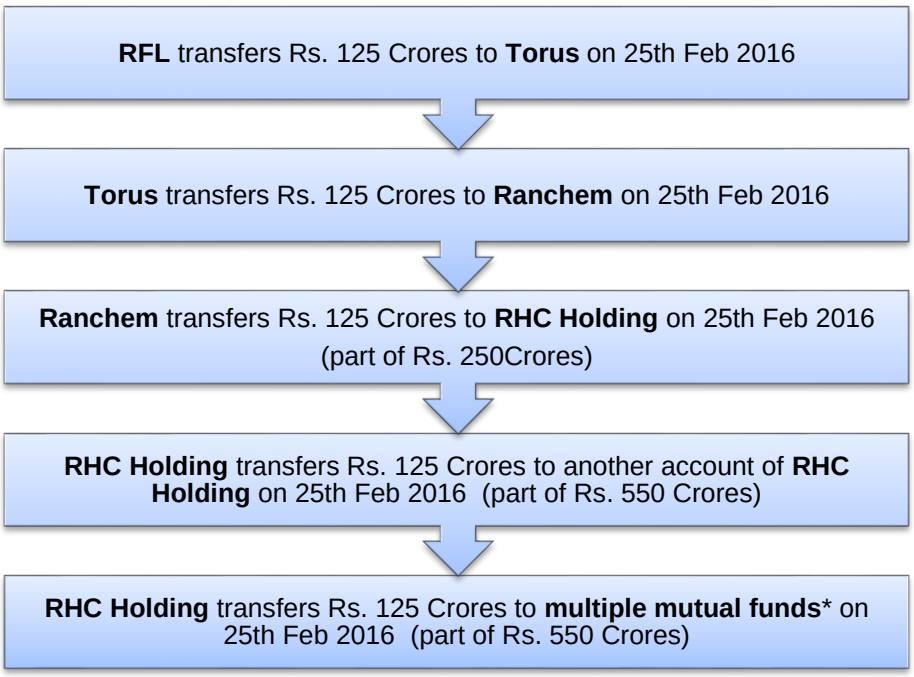
Analysis of the fund transactions

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

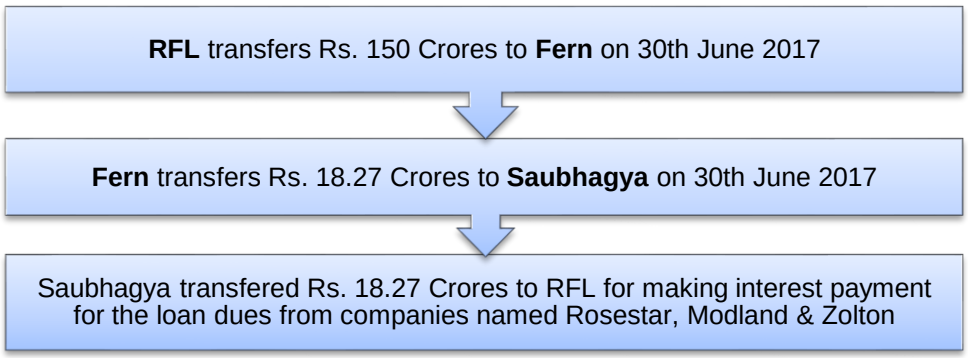
i. **Movement of Rs. 131.73 Crores transferred by Fern to Torus Buildcon Pvt. Ltd.: -**



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



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



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

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

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

The term of the said loans are as follows: -

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

Background of the borrower

Shareholding details

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

Financial status (Rs. In crores)

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

Analysis of the fund transactions

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

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

From the analysis of ledger and bank statements of entities, it was observed that an amount of Rs. 95.50 Crores out of the loan of Rs. 145 Crores, had been transferred by Modland to Annies Apparel on September 02, 2016, it was observed that Rs. 51 crores were utilised by other entities for repayment of their earlier loans taken from RFL. In this regard, the detailed analysis of movement of funds to Annies Apparel, which was a Group 2 entity has been discussed at para no 7.4.3.2 ® below.

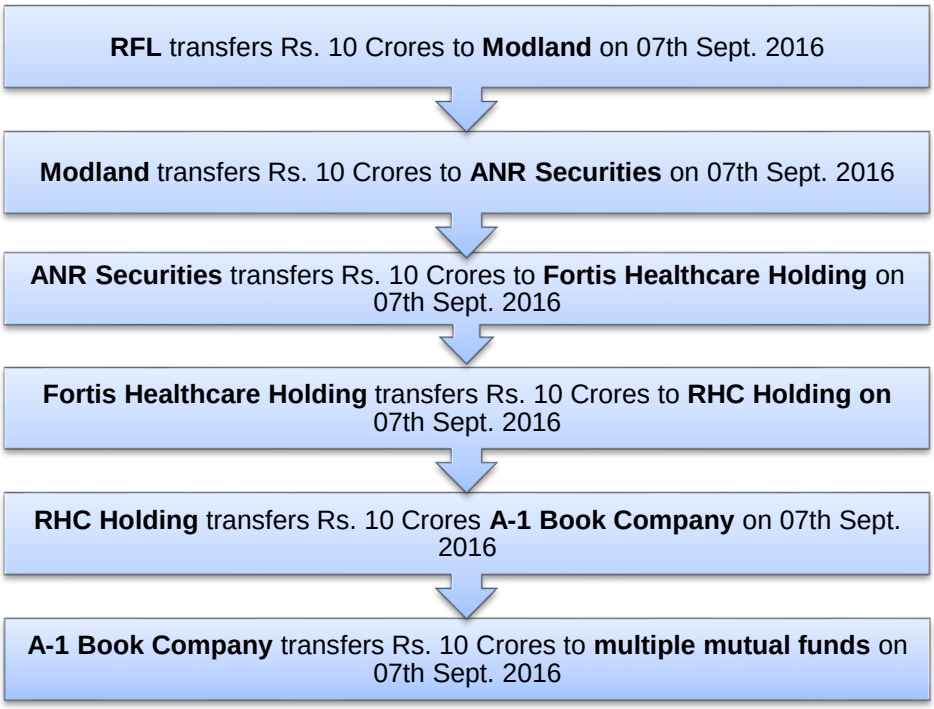
Further, an amount of Rs. 22.48 crores out of the aforesaid loan amount of Rs 145 crores, was observed to have been paid back to RFL by various entities as interest repayment for their loans taken from RFL itself.

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

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

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

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



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

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

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that a loan amounting to Rs. 109.30 crores had been given by RFL to Platinum on September 27, 2017. The terms of the said loan were as follows:

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

Background of Platinum

Shareholding structure

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

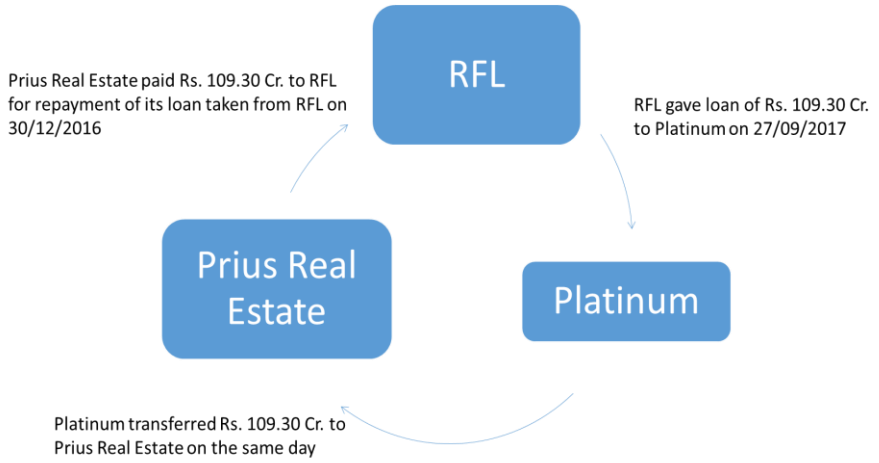
Director details

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

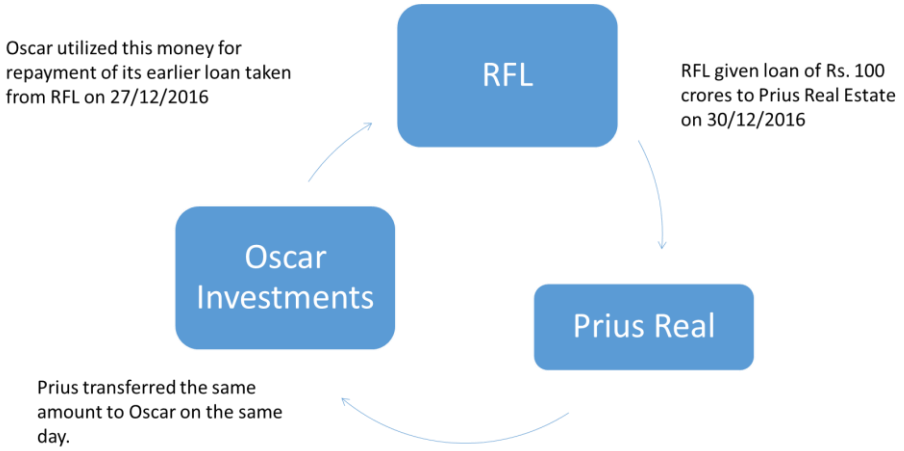
Financial status (Rs. In crores)

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

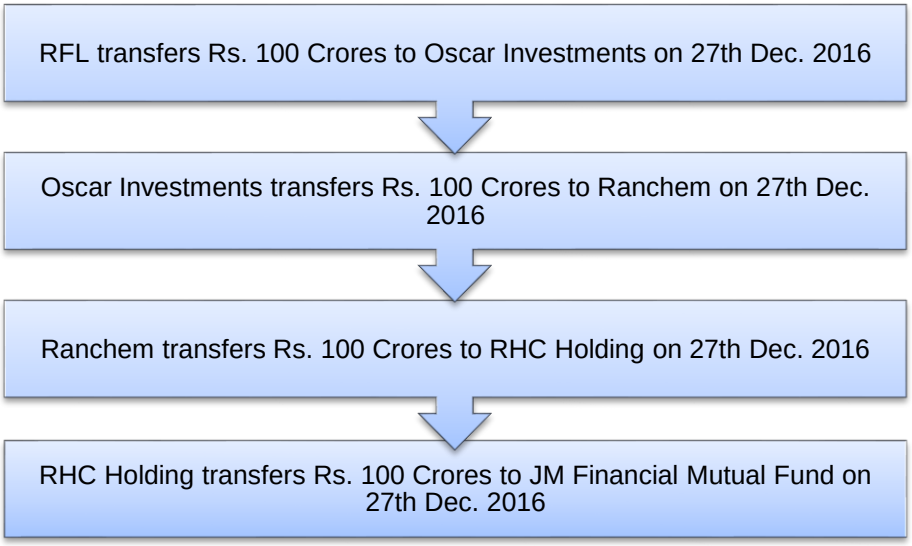
It was observed that the said loan amount was subsequently transferred by Platinum to Prius Real Estate (hereinafter referred to as "Prius") which Prius utilized for repayment of an earlier loan of Rs.100 Crores taken by it from RFL on December 30, 2016. The pictorial presentation of the said transaction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



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



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



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

F. Loan by RFL to Ad Advertising Pvt Ltd

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee

meetings & proposal notes, it was observed that the loan of Rs. 100 crores which was outstanding as on May 31, 2018 was granted by RFL to Ad Advertising on June 28, 2017 and the terms of the said loan were as follows: -

Particulars	**Terms**
Loan Tenure	Upto 12 month
Purpose	Working Capital requirement /General Corporate purpose
Proposed loan amount	Rs.100 crores
ROI	11% p.a.
Repayment schedule	Interest Payment quarterly. Bullet repayment of principal at the end of the term/ Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	NA

Background of Ad Advertising

Shareholding structure

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

Director details

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

Financial Results:

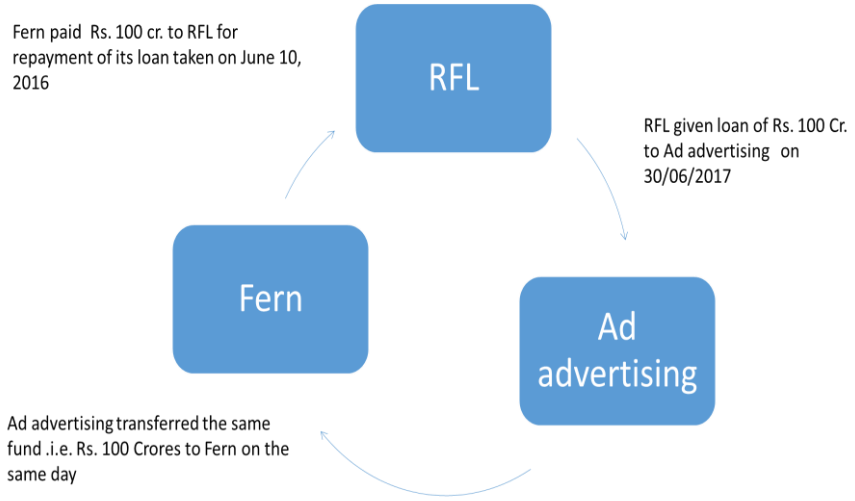
Sr No	**Particulars**	**Amount (Rs in crores)**		
		Mar-13	**Mar-14**	**Mar-15**
1	Revenue	7.41	5.34	15.54
2	Profit & Loss after tax	00.04	00.01	00.01
3	Adjusted Net Worth	-34.12	-60.06	-52.50

Analysis of the fund transactions

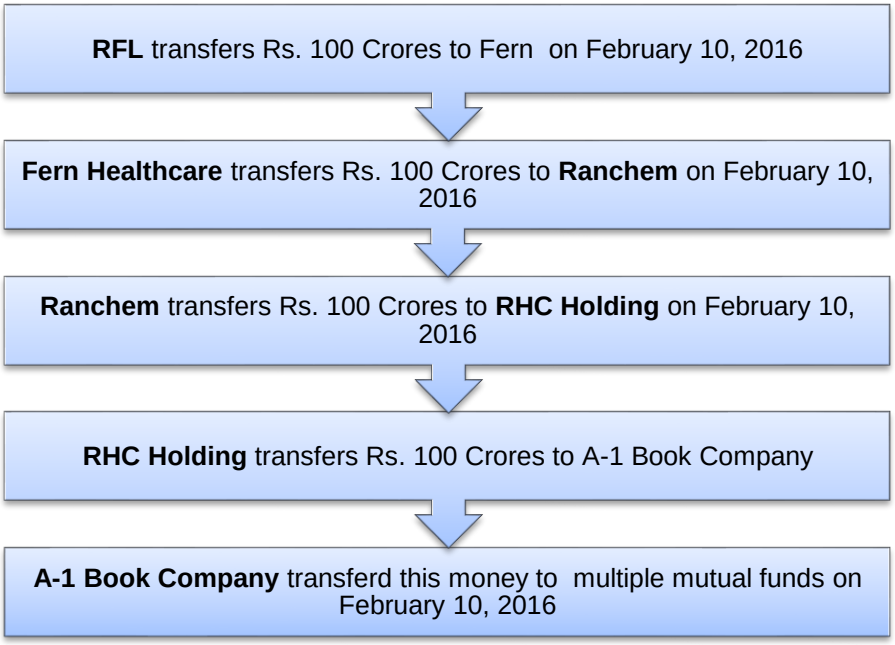
Upon analysis of the bank statements & ledgers of the entities, it was observed that funds were immediately transferred through various entities to RHC Holding. The pictorial presentation of the same is as under: -

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

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



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



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

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

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

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

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

Background of Rosestar

Shareholding structure

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

Financial Results:

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

Analysis of the fund transactions

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

RFL transfers Rs. 150 Crores to **Rosestar** on 10th Feb. 2016

↓

Rosestar transfers Rs. 150 Crores to **Ranchem** on 10th Feb. 2016

↓

Ranchem transfers Rs. 150 Crores to **RHC Holding** on 10th Feb. 2016

↓

RHC Holding transfers Rs. 150 Crores to **A-1 Book Company** on 10th Feb. 2016 (part of Rs. 375 Crores transferred)

↓

A-1 Book Company transfers Rs. 150 Crores to **multiple mutual funds*** on 10th Feb. 2016 (part of Rs. 375 Crores transferred)

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

H. Loan given by RFL to Star Artworks Private Limited

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

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

Background of Star Artworks

Shareholding structure

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

Director details

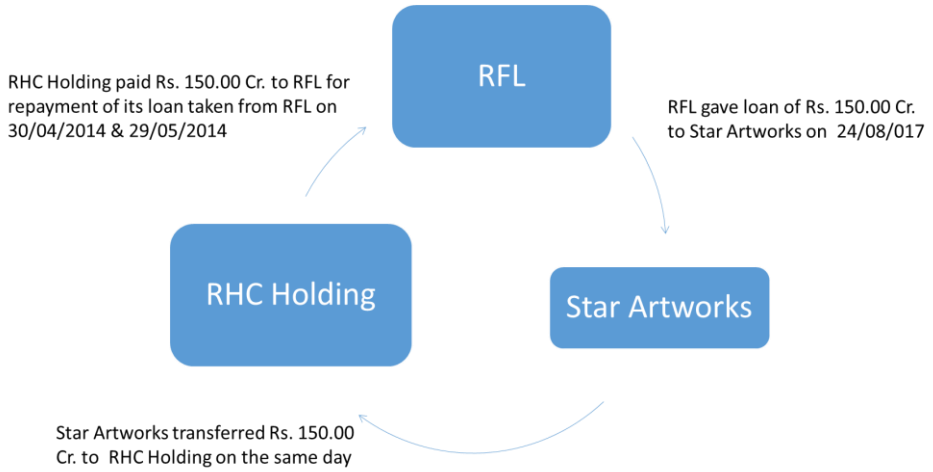
Sr. No.	**Name of the Director**	**Designation**	**Date of appointment**	**Address**
1	Sanjeev Kumar Singhal	Director	06-Oct-16	1/9667, St.No.-6,Partap Pura, Babar Pu Road, Shahdara Delhi – 110032
2	Chandra Shekhar Jha	Additional Director	06-Oct-16	139,1st Floor, RAS Vihar, C.G.H.S.Ltd., Plot No-99,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

Financial Results

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

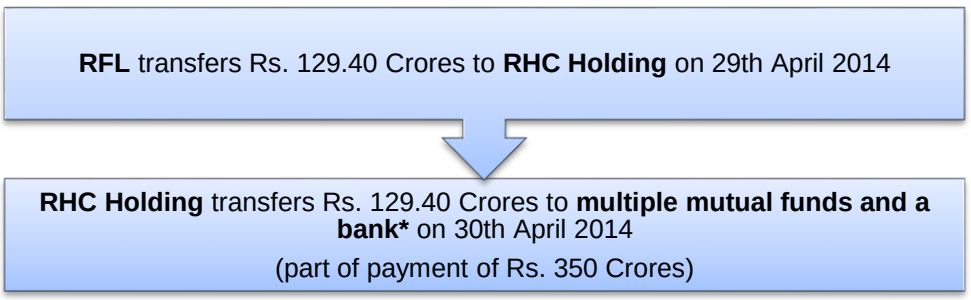
Analysis of the fund transactions

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

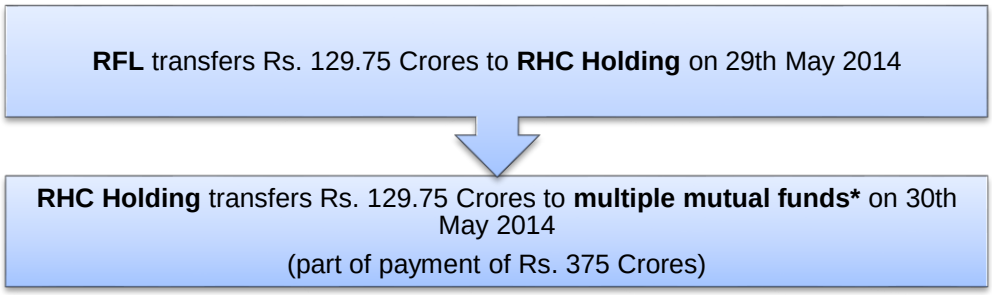


Further the utilisation of the loans taken April 30, 2014 & May 29, 2014 were analysed. Upon analysis of the same it was observed that the said loans were utilised by RHC Holding for payment of their mutual fund liabilities. The pictorial presentation of the same is as follows:-

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



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



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

I. Loan given by RFL to Zolton Properties Private Limited

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

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

Background of Zolton

Shareholding Structure

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

Financial Results

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

Analysis of the fund transactions\

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

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

RFL transfers Rs. 150 Crores to **Zolton** on 05th Sept. 2016

↓

Zolton transfers Rs. 150 Crores to **ANR Securities** on 06th Sept. 2016

↓

ANR Securities transfers Rs. 150 Crores to **RHC Holding** on 06th Sept. 2016
(part of Rs. 221 Crores trasferred)

↓

RHC Holding transfers Rs. 150 Crores to **National Stock Exchange*** on 06th Sept. 2016 to settle liablites for bonds

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

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

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

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

RFL transfers Rs. 10 Crores to **Zolton** on 07th Sept. 2016

↓

Zolton transfers Rs. 10 Crores to **ANR Securities** on 07th Sept. 2016

↓

ANR Securities transfers Rs. 10 Crores to **REL** on 07th Sept. 2016
(part of Rs. 20 Crores trasferred)

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

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

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

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

Background of Tripoli

Shareholding structure

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

Financial status (In Rs crores)

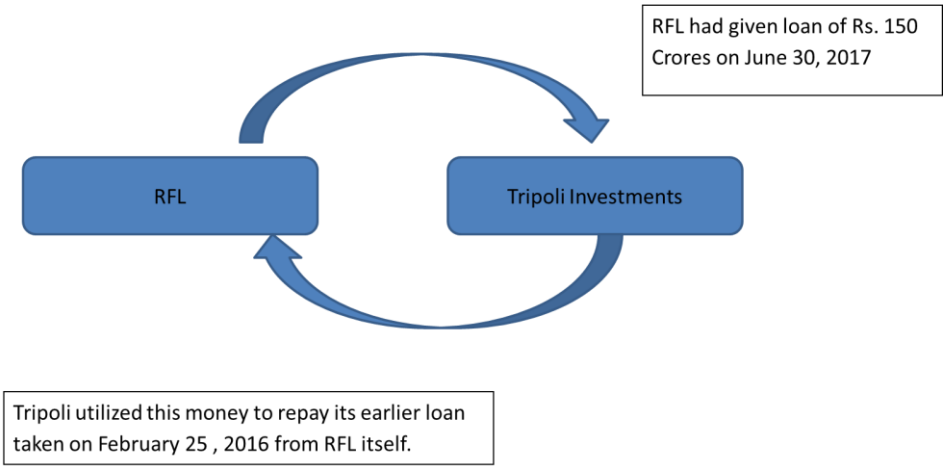
Particulars	**2014-2015**	**2015-2016**	**2016-2017**
Revenue	00.06	46.52	381.91
Profit/loss after Tax	**-00.67**	**00.08**	**-8.12**
Adjusted Net Worth	**8.83**	**-142.38**	**-130.67**

Analysis of the fund transactions

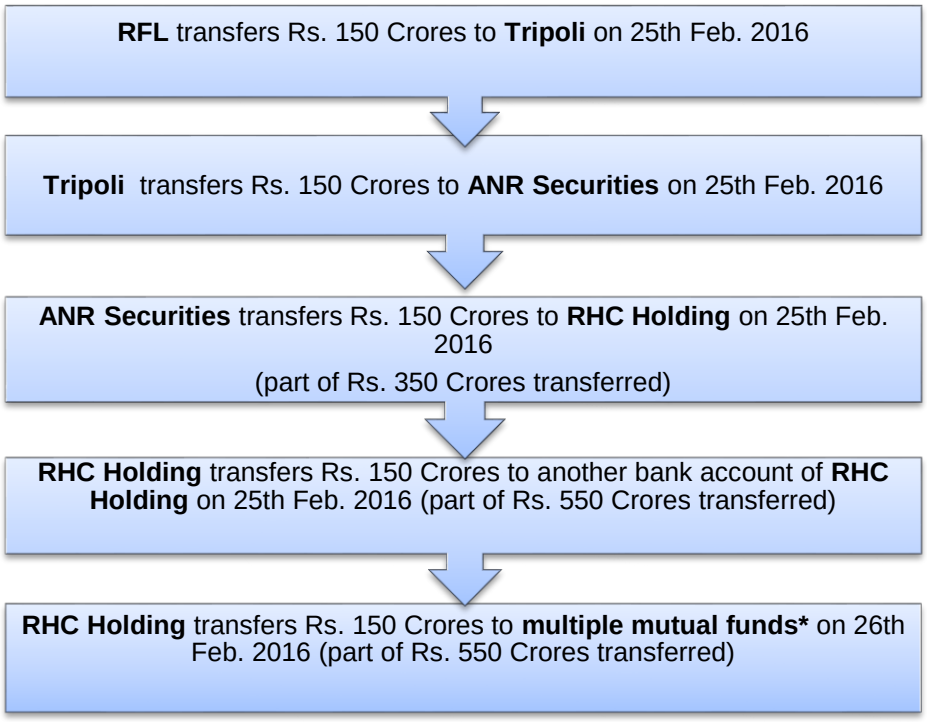
Upon perusal of Bank statements & ledgers of various entities, it was observed that the loan of Rs. 150 Crores given on June 30, 2017 has been utilised for repayment of its earlier loan taken on February 25, 2016. Further the utilisation of its loan taken on February 25, 2016 were analysed. Upon analysis of the same it was observed that has actually been transferred to RHC Holding which has been used by RHC Holding

to pay off liabilities to multiple mutual funds. The pictorial presentation of the same transaction are as follows: -

Utilisation of loan taken on June 30, 2017: -



Utilisation of loan taken on February 25, 2016: -



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

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

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

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

Particulars	**Terms**
Loan Tenure	Upto 1 Year
Purpose	Short term loan for working capital purpose
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Repayment schedule	Bullet repayment at the end of the term/. Prepayment as per mutual consent
Security	Unsecured
Collateral	None

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

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

Background of Volga

Shareholding structure

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

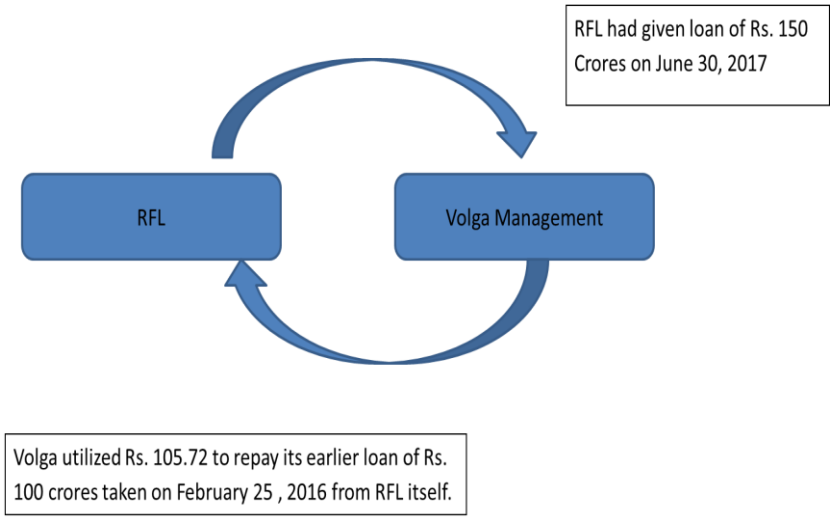
Financial Results

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

Analysis of fund transactions

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

Utilisation of loan taken on June 30, 2017: -



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

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

↓

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

↓

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

Modland transfers Rs. 5.13 Crores to **Artifice Properties.**

↓

Saubhagya Buildcon tranfers Rs. 10.74 Cr to **Fern.**

Saubhagya Buildcon transfers Rs. 15.74 Crores to **Best** Healthcare.

Artifice Properties pays interest of Rs. 5.12 Cr to **RFL.**

↓

Fern transfers Rs. 10.74 Cr to **Ranchem.**

Best Healthcare transfers Rs. 15.74 Cr to **ANR Securities.**

↓

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

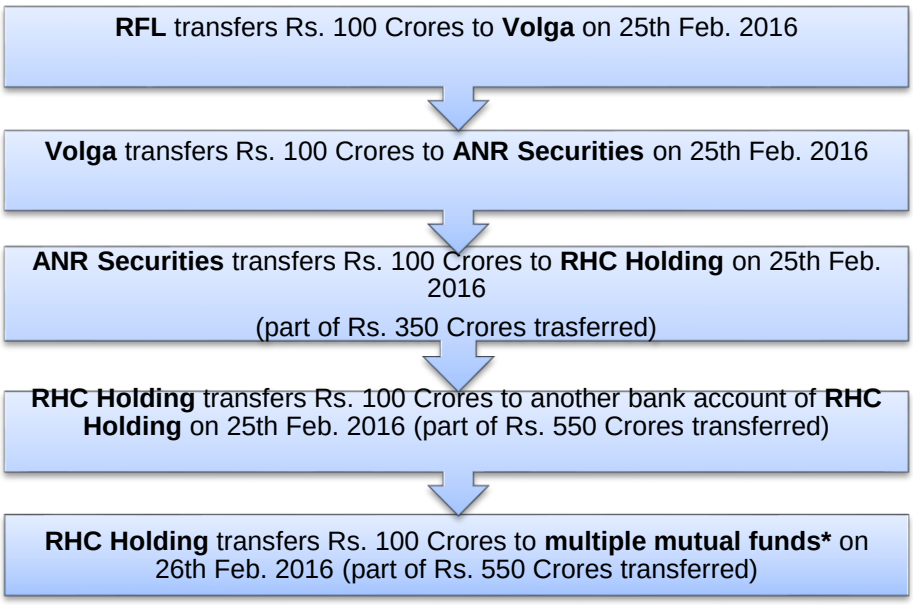
↓

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

↓

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

Utilisation of loan taken on February 25, 2016:-



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

L. Loan given by RFL to Torus Buildon Private Limited

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

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

Background of Torus

Shareholding structure

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

Preference Shareholders detail as on 31-03-2015

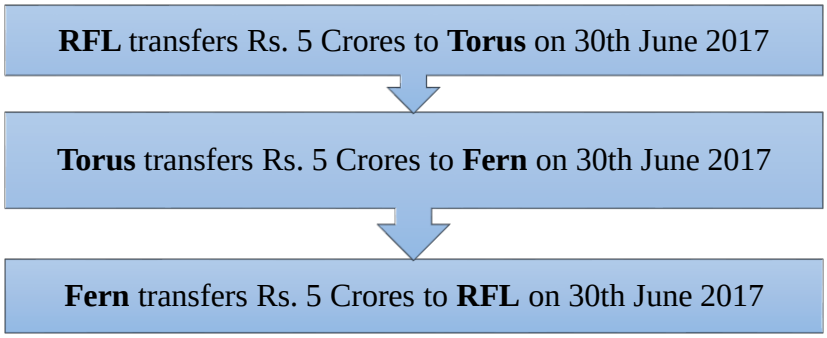
Sr no	Share Holder Name	No. of share	Per share	% of holding
1	Modland Wears Pvt Ltd	5000000	10	20
2	Best Healthcare Pvt Ltd	20000000	10	50
Total		250000000		100

Financial Results

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

Analysis of the fund transactions

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



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

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

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee

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

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

Background of A&A Capital

Shareholding Structure

Name of the Shareholders	**No. of shares**	**% of holding**
Kala Supplirs Pvt. Ltd.	39,200.00	0.71%
Sarojani Vinmay Pvt. Ltd.	4,99,800.00	9.09%
Rover Trade Iink Pvt. Ltd.	8,00,000.00	14.55%
Delux Tarcom Pvt. Ltd.	15,59,800.00	28.36%
Landscape Vicome Pvt. Ltd.	73,000.00	1.33%
Manshi Telcom Pvt. Ltd.	1,99,500.00	3.63%
Maxworth Dealmark Pvt. Ltd.	1,90,500.00	3.46%
Mohan Infrarealty Pvt. Ltd.	17,500.00	0.32%
Narayani Pratisthan Pvt. Ltd.	57,000.00	1.04%
Satvichar Dealers Pvt. Ltd.	4,64,600.00	8.45%
Sunhill Vincom Pvt. Ltd.	44,600.00	0.81%
Aakruty Infrarealty Pvt. Ltd.	1,00,000.00	1.82%
Almighty Mercantile Pvt. Ltd.	2,60,000.00	4.73%
Annex It distributors(UP West)	20,000.00	0.36%
Asent Vanijya Pvt. Ltd.	2,40,000.00	4.36%
Banshidhar tradecomm Pvt. Ltd.	1,00,000.00	1.82%
Blaclberry Impex Pvt. Ltd.	1,56,000.00	2.84%
Expert Infrastructure Advisory Pvt.	20,000.00	0.36%
Laxiwan Suppliers Pvt. Ltd.	80,000.00	1.45%
Mangal Murti Enclave Pvt. Ltd.	2,54,000.00	4.62%
Satyam Securities & Finance Pvt. Ltd.	2,44,000.00	4.44%
SPA Economy Pvt. Ltd.	40,000.00	0.73%
Pappu Rajak	10,000.00	0.18%
Shyamal Mondal	10,000.00	0.18%
Prashanta Sarkar	10,000.00	0.18%
Rahul Jain	10,000.00	0.18%
Total	**54,99,500.00**	**100.00%**

Financial status

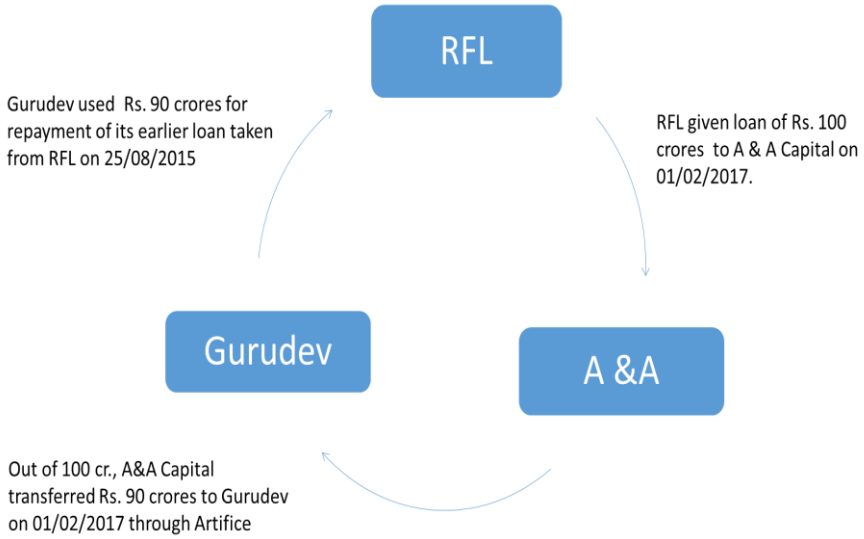
Particulars	**Amount (Rs in Crores)**		
	2013-2014	**2014-2015**	**2015-2016**
Revenue	8.59	3.59	19.45
Profit & Loss after tax	**9.93**	**-0.24**	**-1.10**
Adjusted Net Worth	**10.06**	**-64.54**	**-91.77**

Analysis of the fund transactions

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

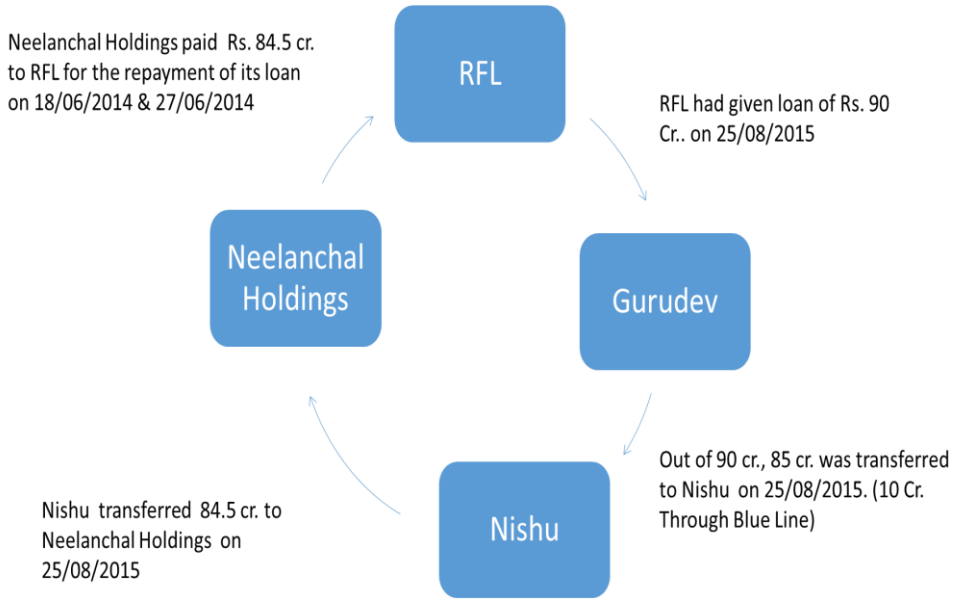
N. Loan taken by A&A Capital on February 01, 2017

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



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

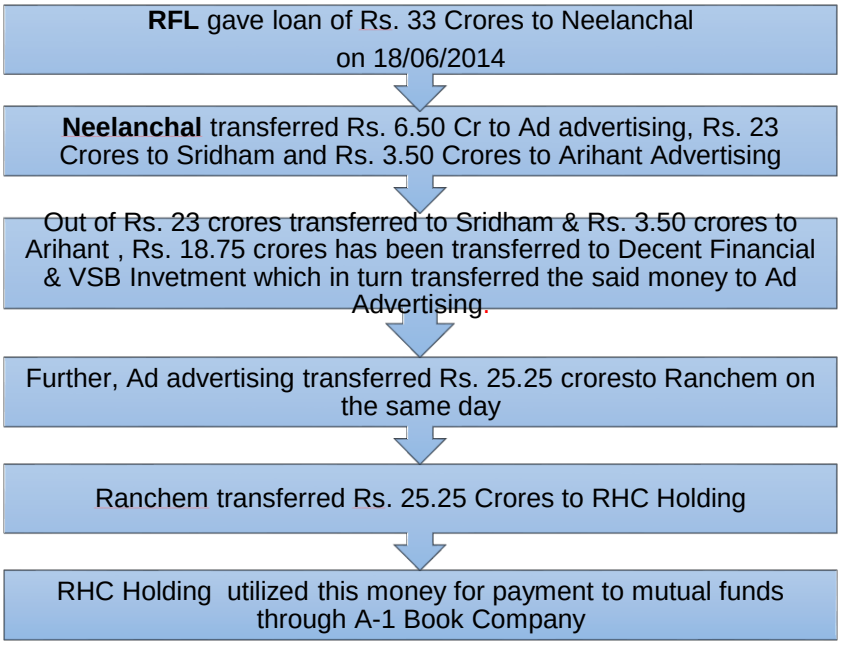
On further analysis, it was observed that the loan taken by Gurudev had been immediately further transferred to Neelanchal Holdings and inturn, Neelanachal utilized the funds to repay its earlier loan taken from RFL on June 18 & 27, 2014. The diagrammatical representation of the said transaction is as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



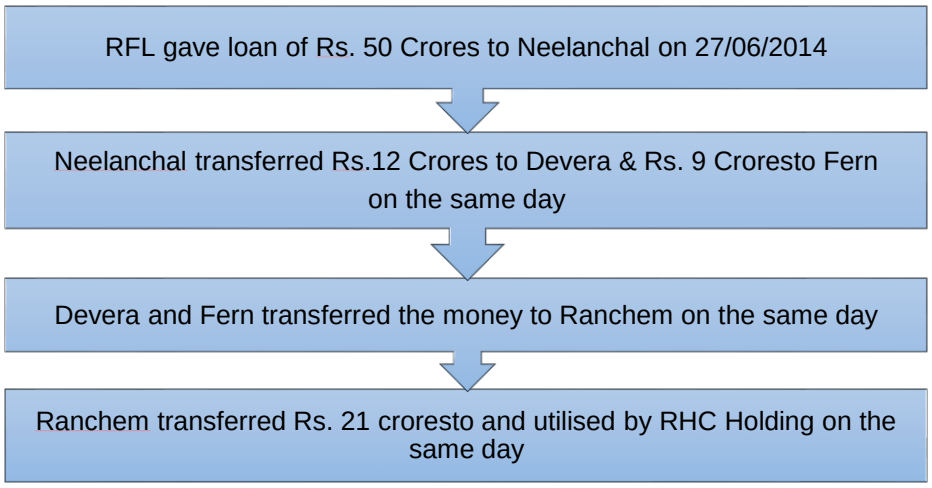
Utilisation of loan taken by Neelanchal Holdings of Rs. 33 Crores and Rs. 50 Crores on June 18, 2014 & June 27, 2014 respectively.

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

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



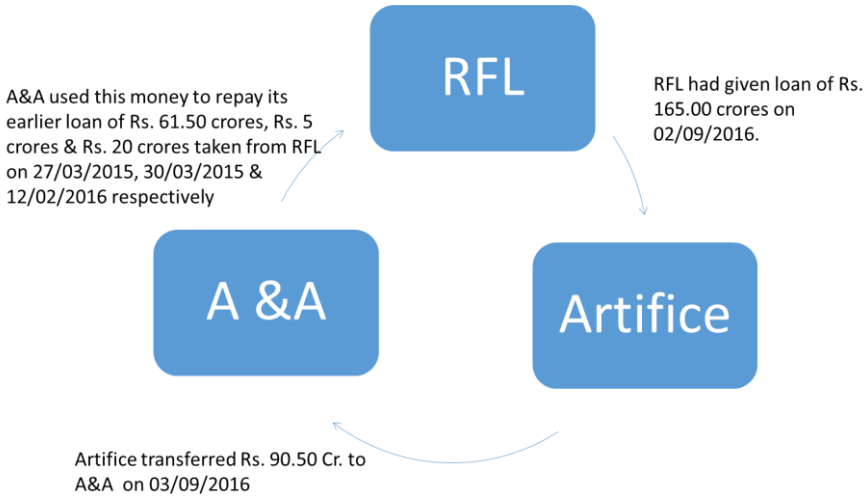
Details of loan amounting to Rs. 50 Crores taken on June 27, 2014



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

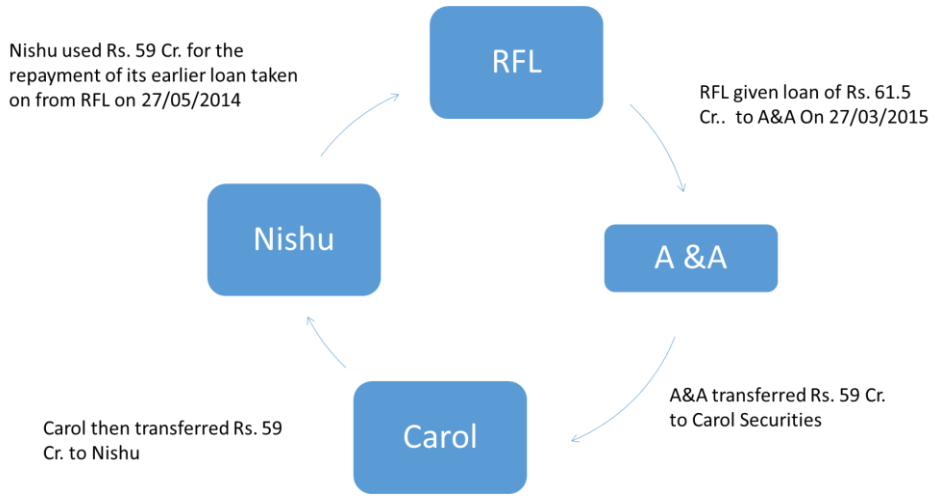
Details of funds amounting to Rs. 90.50 Crores received through loan by RFL to Artifice on September 03, 2016.

As discussed at para 7.4.3.2 (A) above, it was observed that RFL had given loan of Rs. 165 Crores to Artifice on September 02, 2016 and Artifice had transferred Rs. 90.50 Crores out of the aforesaid Rs. 165 Crores to A&A Capital on September 03, 2016. The said funds were used by A&A Capital to repay earlier loans of Rs. 86 crores taken from RFL on March 27, 2015. The pictorial presentation of the same is as follows:

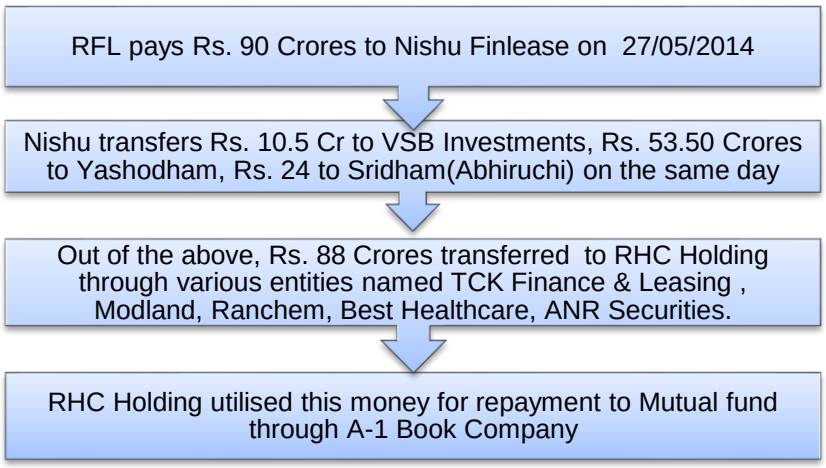


Utilisation of loan taken by A&A Capital of Rs. 61.50 crores from RFL on March 27, 2015

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



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



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

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

O. Loan by RFL to Gurudev Financial Services Pvt Ltd

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

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

Background of Gurudev

Shareholding structure

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

Financial status

Particulars	**Amount (Rs in Crores)**		
	Mar-14	**Mar-15**	**Mar- 16**
Revenue	12.51	13.62	16.37

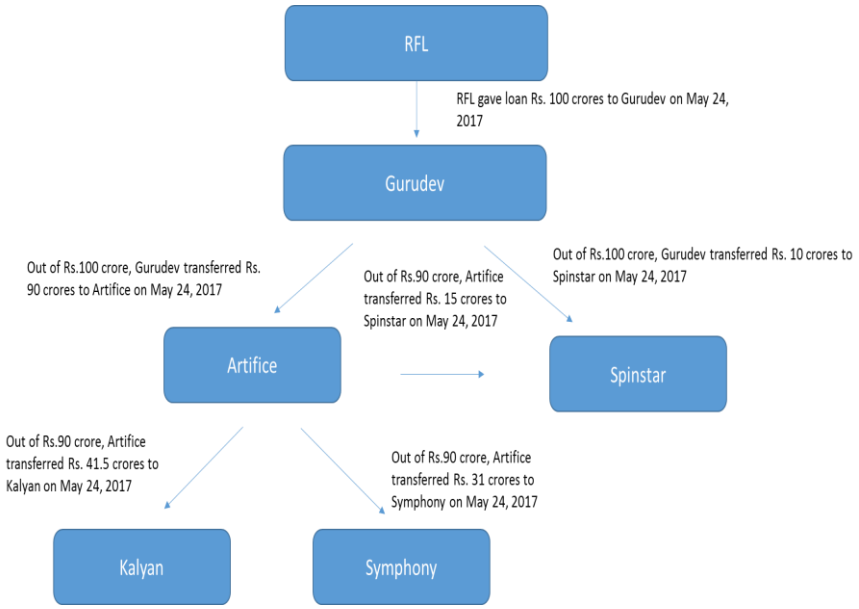
Profit & Loss after tax	**00.01**	**00.09**	**00.11**
Adjusted Net Worth	**1.33**	**1.41**	**2.52**

Analysis of the fund transactions

As discussed above at para 7.4.3.2 (N) above, Gurudev received funds directly as well as indirectly (through Modland) from RFL. Based on the analysis of fund movements, it was observed that out of total loan of Rs 100 crores given by RFL to Gurudev, Rs 42.8 crores was utilised by RHC Holding for paying off to mutual funds through A-1 Book Company. Further, loan funds to the tune of Rs 56 crores were observed to have been misused for repayment of earlier loans taken by other entities from RFL only. The details of the same are as follows:-

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

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

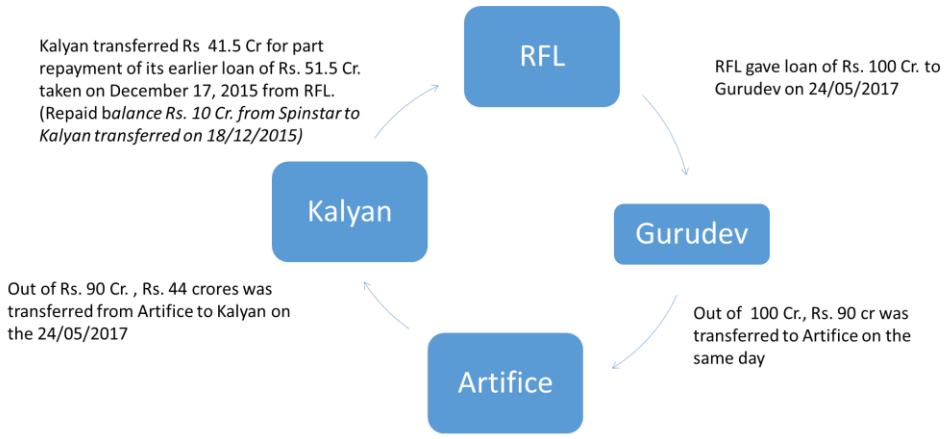


The details of such loans and analysis of their utilization are as follows:

i. Funds transferred to Kalyan

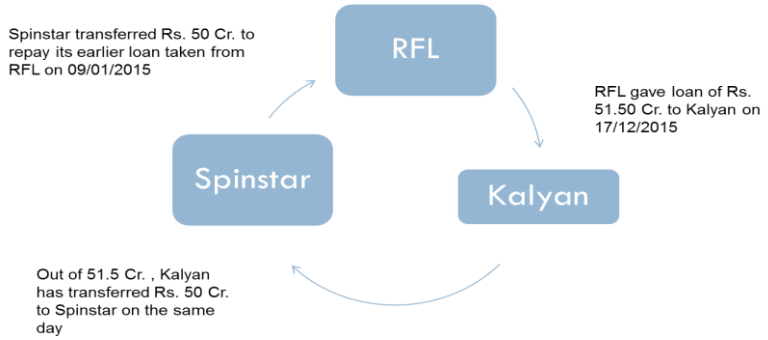
(a) Loan repayment by Kalyan to RFL

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



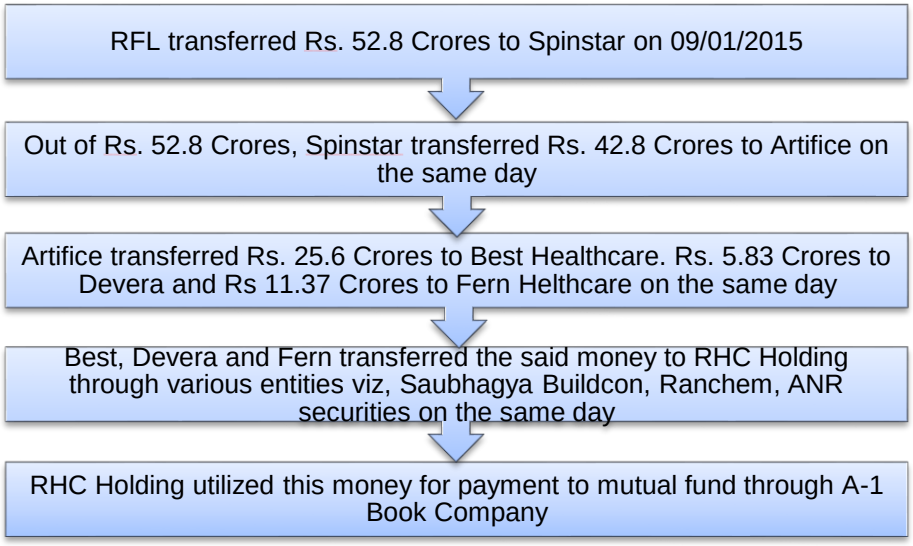
(b) Utilisation of loan taken by Kalyan from RFL on December 17, 2015:

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



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

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

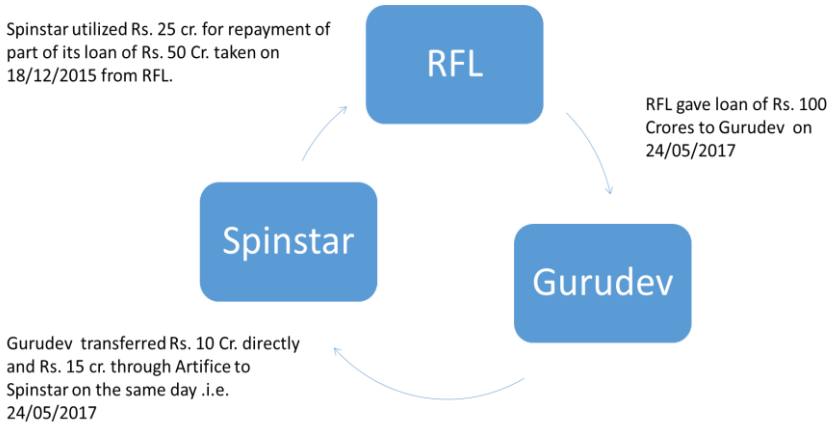


Thus, it was observed that out of the loan of Rs 100 crores given by RFL to Gurudev, Rs. 42.8 crores had been benefitted RHC Holding which had utilized for paying off to mutual funds in the books of A1 Book Company.

ii. Funds transferred to Spinstar

(a) Loan repayment by Spinstar to RFL

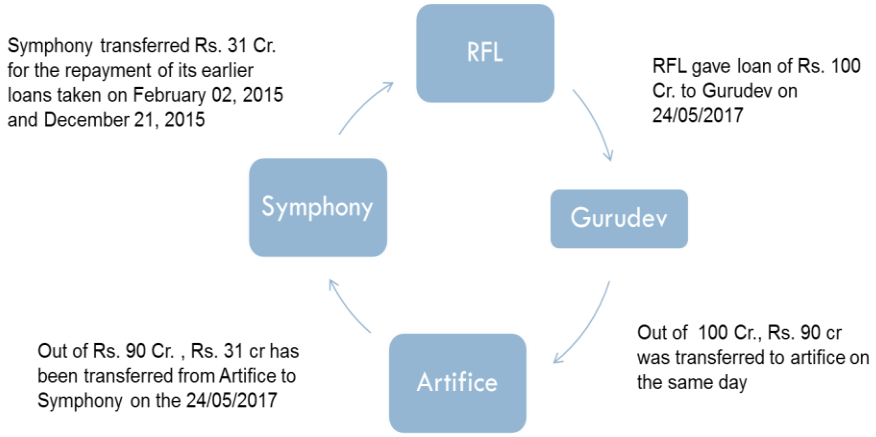
It was observed that out of Rs. 100 crores, Rs. 25 crores received by Spinstar from Gurudev had been utilized by Spinstar for part repayment of its loan of Rs. 50 crores taken from RFL on December 18, 2015. Balance repayment of Rs. 25 crores was made by Spinstar from loan given to Annies Apparel from RFL on February 01, 2017 {this has been examined at para 7.4.3.2.(R)}. The pictorial presentation of the same is as follows: -



iii. Funds transferred to Symphony

(a) Loan repayment by Symphony to RFL: -

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



Conclusion of analysis of loan to Gurudev

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

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

P. Loan by RFL to Tara Alloys Limited

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

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

Background of Tara Alloys

Shareholding structure

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

Financial details

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

Analysis of the fund transactions

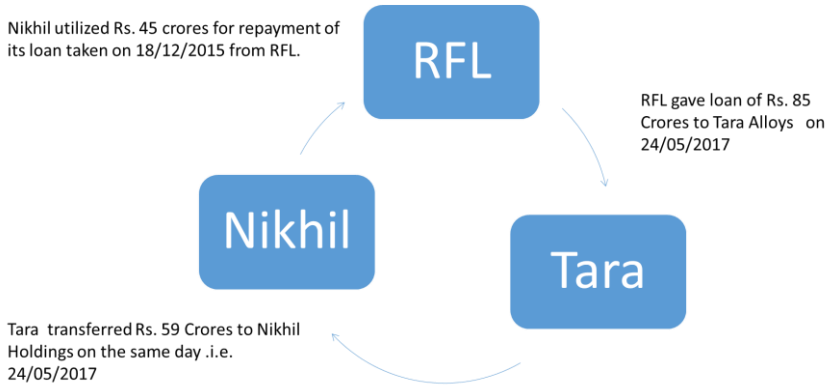
Based on the analysis of fund movements, it was observed that out of total loan of Rs 100 crores given by RFL to Tara Alloys, Rs 44 crores was utilised by RHC Holding for payment of its liabilities to mutual funds in the books of A-1 Book Company. Further, funds to the tune of Rs 25 crores were observed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

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

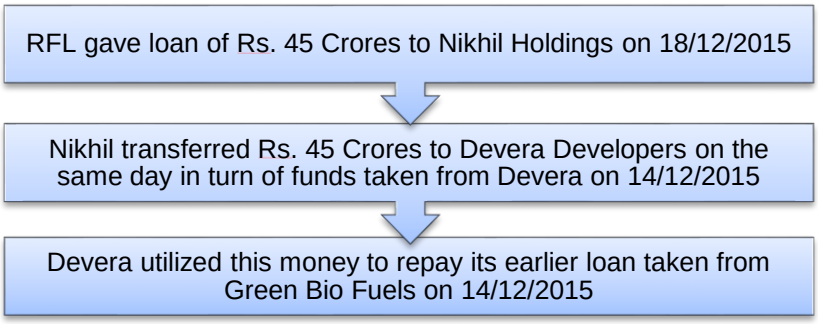
It was observed that out of the loan amount of Rs 85 crores, Tara Alloys had further transferred Rs 45.35 crores to Nikhil Holdings and Rs 26 crores to Yashodham on the same day.

(a) Utilization by Nikhil Holdings.

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



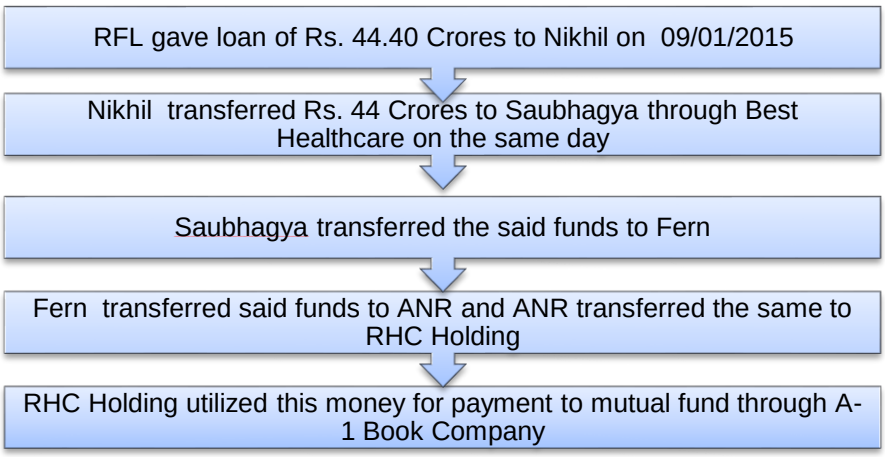
Further the utilisation of loan taken by Nikhil Holding on December 18, 2015 were analysed. Upon analysis it was observed that the said funds had been transferred to Green Bio Fuels through Devera Developers on the same day. The diagrammatical presentation of the said loan are as under: -



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

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

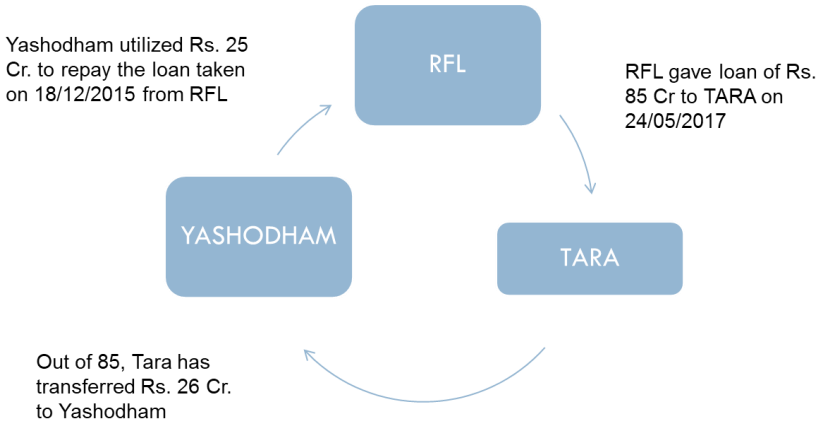
It was observed that the loan taken by Nikhil Holdings on January 09, 2015 had been further transferred to RHC Holding through various entities on the same day. The pictorial presentation of this transaction are as follows: -



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

(c) Utilisation by Yashodham

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



Conclusion of analysis of loans to Tara Alloys

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

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

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

Particulars	**Terms**
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured

Collateral	None

Background of Sridham

Shareholding structure

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

Financial details

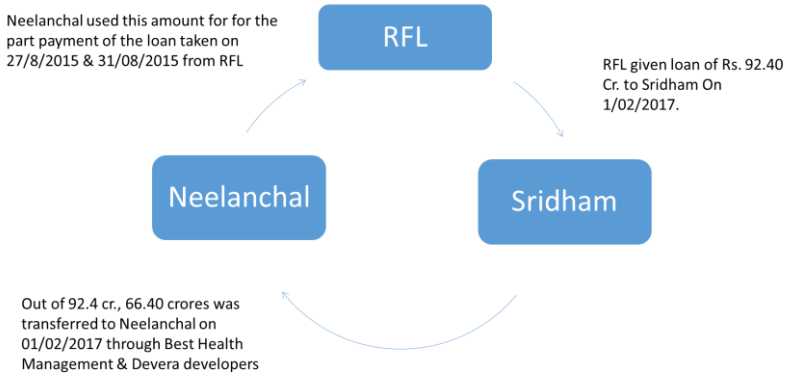
Particulars	**Amount (Rs in Crores)**		
	Mar-14	**Mar-15**	**Mar- 16**
Revenue	8.26	80.05	180.56
Profit & Loss after tax	**00.15**	**00.18**	**00.24**
Adjusted Net Worth	**-97.40**	**-86.81**	**-204.52**

Analysis of the fund transactions

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

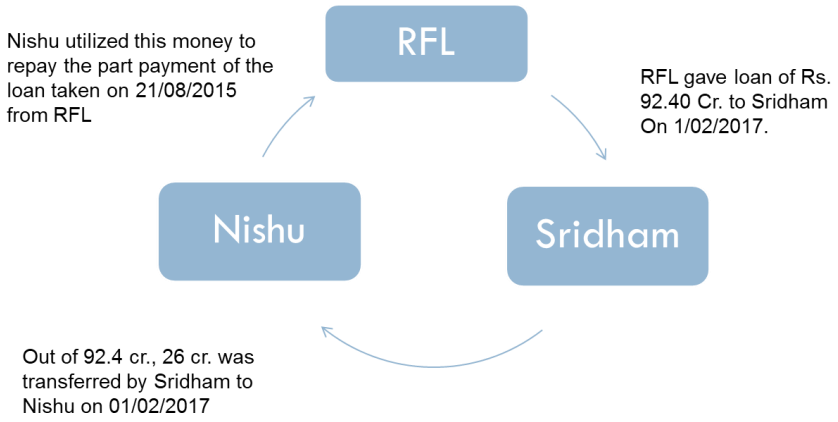
Transaction: 1

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



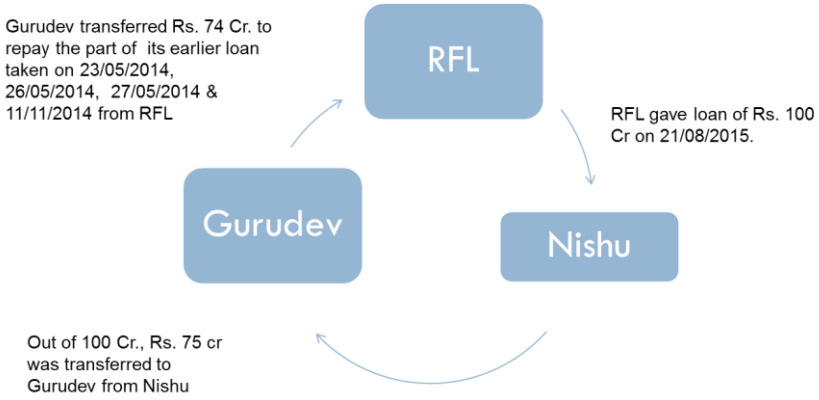
Transaction: 2

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



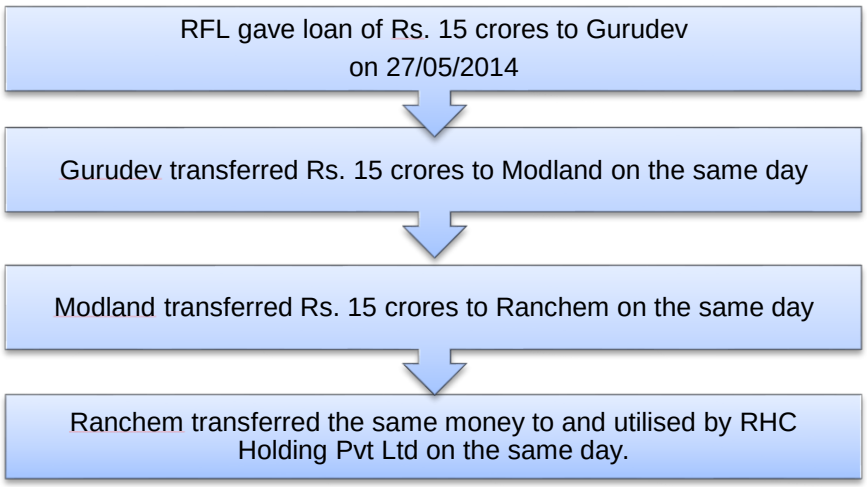
(a) Utilization of loan taken by Nishu on August 21, 2015 by RFL of an amount of Rs. 100 Crores

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



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

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



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

R. Loan by RFL to Annies Apparel Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee

meetings & proposal notes, a loan amounting to Rs. 100.00 crores had been given by RFL to Annies on February 01, 2017, the terms of the same were as follows: -

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

Background of Annies Apparel

Shareholding Structure

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

Financial details

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

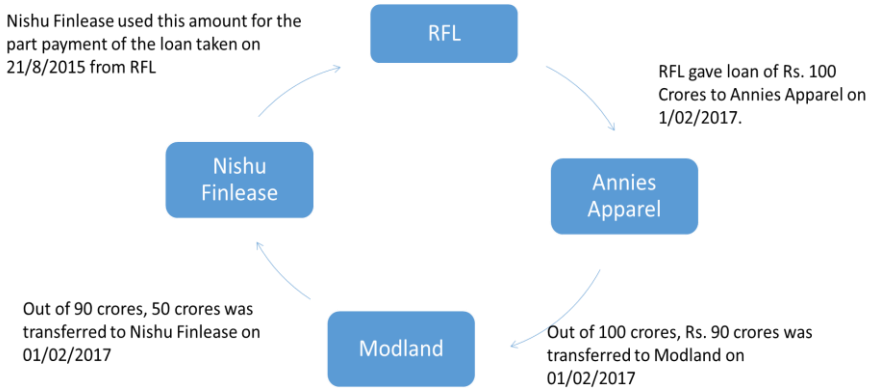
Analysis of the fund transactions

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

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

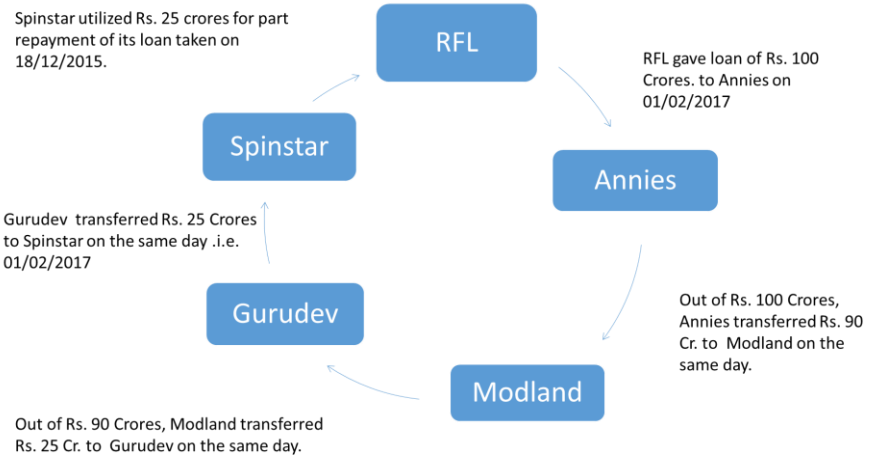
<u>Transaction 1:</u>

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



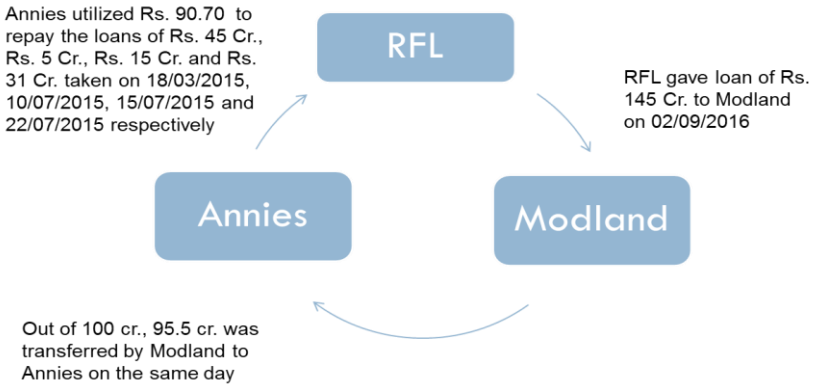
<u>Transaction 2:</u>

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



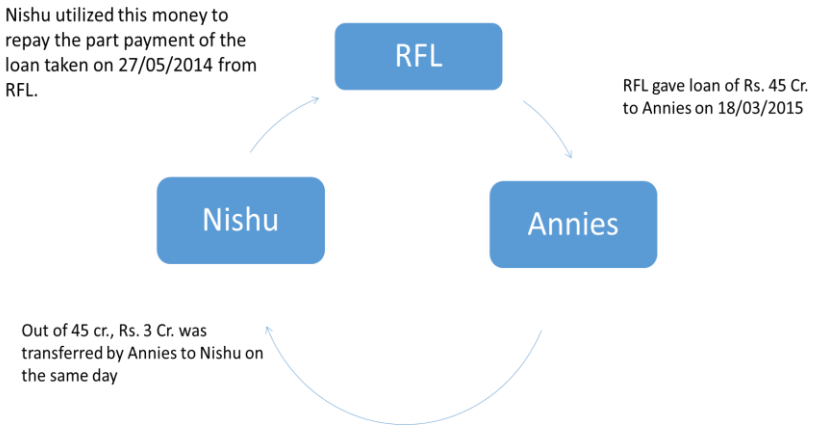
Funds indirectly received by Annies (through loans by RFL to Modland)

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



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

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



Utilization of the loan taken on May 27, 2015 has already been given at para no 7.4.3.2 (R) above. Thus, it was observed that Rs 3 crores was ultimately utilised by RHC Holding to pay off its liabilities in the books of A-1 Book Company. Further it was also observed that Rs. 51 crores has been returned to RFL as repayment of earlier loans taken from RFL by various other entities.

Hence, the total amount seen to be diverted by way of loans (directly as well as indirectly through Modland) to Annies was Rs 3 crores. Further, out of funds directly given to Annies, around Rs. 75 crores were observed to be utilised by other entities for repayment of their earlier loans taken from RFL. Further out of funds indirectly given to Annies as mentioned at para 7.4.3.2 (R) around Rs. 51 crores were observed to be utilised by other entities for repayment of their earlier loans taken from RFL.

S. Loans given by RFL to Religare Comtrade Ltd.

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

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

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

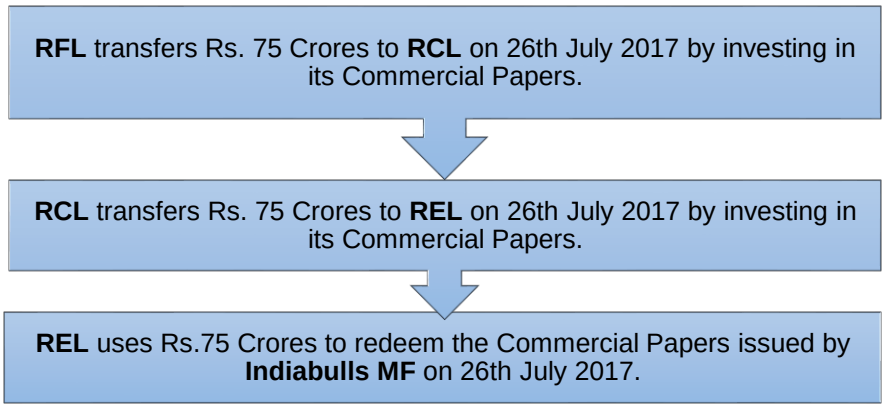
Analysis of the fund transactions

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

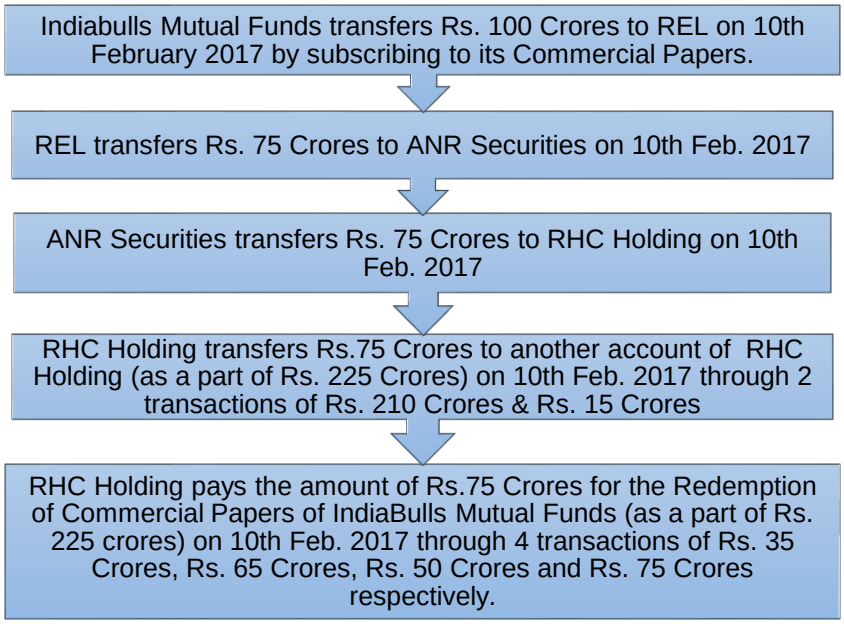
Utilisation of Rs. 75 crores out of aforesaid loan: -

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

Utilisation of loan of Rs. 75 crores given to Religare Comtrade on July 26, 2017: -



Utilisation of money taken from Indiabulls Mutual Fund:-



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

7.4.3.3. With regards to aforesaid loans as mentioned at Table 6, the following were observed during the investigation:

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

7.4.3.3.2. The parameters for approving loans under the CLB were significantly relaxed when compared to the loans under the SME category as most of applicable parameters for SME loans were not applicable or required for corporate loans under CLB. Also, although the end use monitoring of such loans granted under CLB was implemented from May 26, 2015, the same was not received for all loans as mentioned at Table 6. Further, RFL did not have any mechanism to verify the end use of such loans which were granted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 7: Summary of diversion of funds through CLB

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation	
			Amount (Rs. In Crores)	Ultimate beneficiary
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00	**RHC Holding**
2	Ad Advertising Pvt. Ltd.	100.00	100.00	**RHC Holding**
3	Artifice Properties Pvt. Ltd.	165.00	133.48	**RHC Holding**
4	Best Health Management	40.00	115.00	**RHC Holding**
5	Devera Developers	40.00		
6	Vitoba Realtors	35.00		
7	Fern Healthcare Pvt. Ltd.	150.00	125.00	**RHC Holding**

8	Modland Wears Pvt. Ltd.	155.00	13.00	**RHC Holding**
9	Rosestar Marketing Pvt. Ltd.	150.00	150.00	**RHC Holding**
10	Star Artworks Pvt. Ltd.	150.00	150.00	**RHC Holding**
11	Tripoli Investment & Trading Co.	150.00	150.00	**RHC Holding**
12	Volga Management and Consultancy Pvt. Ltd.	150.00	125.00	**RHC Holding**
13	Zolton Properties Pvt. Ltd.	160.00	150.00	**RHC Holding**
			10.00	**ANR Securities**
14	A&A Capital	100	46.25	**RHC Holding**
15	Gurudev Financial Services Private Limited	100	42.80	**RHC Holding**
16	Tara Alloys Limited	85	44	**RHC Holding**
17	Sridham Distributors Private Limited	92.40	15	**RHC Holding**
18	Religare Comtrade Limited	125	75	**RHC Holding**
	Total	**2347.2**	**1544.53**	

Thus, considering the observations at para 7.4, it is alleged that funds amounting to Rs. 2473.66 crores were diverted from the books of RFL for the purpose of making funds available primarily to Noticee no. 1, 3 and 8, during the period between FY 2014-15 till FY 2017-18. As has been mentioned at respective paragraphs, the amounts were seen to be utilised by Noticee no. 1 mostly through its wholly owned subsidiary viz, A-1 Book Company Pvt Ltd, latter's business being to make investments in liquid/debt mutual funds on behalf of Noticee no. 1. Further, Noticee no. 3 and 8 were also observed to be wholly owned subsidiaries of Noticee no. 1 during the relevant period. Considering the above, the details of the funds diverted for the benefit of Noticee no. 1, 3 and 8 and consequently, for Noticee no. 6 and 7 was as follows: -

Table 6: Diversion of funds

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

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

7.5.2. **Loans utilised for repayment of earlier loans**:-It was also observed during the investigation that part of the funds amounting to Rs. 343.25 crores, as given by RFL to the certain borrowers at Table 6, were utilised by same/other entities as interest/loan repayment for their earlier loans taken from RFL itself. The details of the same are given at Para- 7.4.3.2. In this regard, it was found that that such rollover of funds of RFL was allegedly carried out in order to avoid earlier loans of RFL being rendered as Non – performing assets (NPA) and was merely a "book entry". Due to the roll-over of loans taken up by the management of REL/RFL, NPA accounts were shown as active accounts. It was observed that similar observations were also made in the RBI letter dated January 27, 2017. Thus, it is alleged that the aforesaid rollover of funds aided in misrepresentation in the books of RFL during the FYs 2014-15 to 2017-18 and consequently, in the consolidated financials of REL during the same period.

7.6. Apart from the pattern of fund movement through layers of various entities, it was also observed that borrower entities, intermediate conduit entities (through which the funds were transferred) and the beneficiaries (primarily Noticee no. 1, 3 and 8) were all connected to each other and to the promoters of REL/RFL. The details and basis of such inter-connections amongst the entities were placed at Annexure-5 of the SCN.

7.7. With regards to the analysis and findings at paras 7.1 till para 7.5, it is alleged that the Noticees no 6 and 7 through companies under their control were the ultimate beneficiaries of the funds diverted from RFL. Also, apart from the controlling stake in RHC Holding, the said Noticees were observed to be the only directors (along with their wives) in RHC Holding and also disclosed to be in control over RHC Holding in the latter's Annual Reports during 2014-15 to 2017-18. Further, besides being promoters having control over REL and thus RFL, Noticee no. 6 and 7 also took charge of management of REL w.r.f July 2016 and most of the loans observed to be diverted for benefit of RHC Holdings were granted during their tenure in REL. It was observed that RHC Holding although

registered as an NBFC was inactive in NBFC business and mainly functioned as an investment company holding investments in and giving loans to its subsidiaries and group companies. Also, it was observed that, RHC Holding was in need of funds since FY 2012 and thus, the flow of funds from RFL to RHC Holding clearly benefitted RHC Holdings and consequently, Noticees no 6 &7, being the joint beneficiaries of RHC Holding.

7.8. It was seen that apart from promoters and promoter controlled beneficiaries, Noticee no 10 also played a vital role during the relevant period when diversion and misrepresentation in the consolidated books of accounts of REL took place. It was observed that Noticee no 10 was Chairman and Managing Director of the REL since before FY 2011-12 and was re-designated as Whole Time Director and CEO in July 2016 and thereafter, as a Whole Time Director in October 2016. He finally exited the Board of REL in September 2017. He was also part of REL's Audit Committee and also certified the consolidated financials of REL during the investigation period till FY 2015-16. He also issued a CEO/CFO certificate in the Annual Reports of REL for the FYs 2014-15 and 2015-16, wherein part of diversion and misuse of funds from RFL took place. He was also member of the RPT sub-committee at REL which had approved certain loans under CLB. Further, many members of Committees which approved CLB loans have stated to have acted on his instructions. It was also seen that as Chairman and MD of REL, he had committed to RBI vide a letter dated July 12, 2016 that RFL will not further increase the exposure under CLB. Noticee no. 10 was in charge of affairs of REL during the Investigation Period till atleast July 2016 and despite various red flags, had continued to approve certain CLB loans to entities with poor financials and unimpressive credentials primarily as they were known to promoters during his tenure in REL, which were subsequently misused and diverted for the promoters' benefit. In view of the above, it is alleged that Noticee no. 10, as director of REL & Group CEO of REL, and as a member of loan approving committee and Audit Committee of RFL, was deliberately negligent in failing to monitor and exercise adequate due diligience, and therefore, is observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of REL.

7.9. Further, it was observed that Noticee no 11 was Director and Group CFO of REL since before FY 2011-12 and resigned as Director of REL in January 2013 and continued as Group CFO thereafter during the investigation period. It was observed that he had certified the consolidated financials of REL during the investigation period till FY 2016-2017. Also he issued a CEO/CFO certificate in the Annual Reports of REL for the FYs 2014-15, 2015-16 & 2016-2017 wherein part of diversion and misuse of funds from RFL took place. He was also a director of RFL during the relevant period of the investigation, wherein part of diversion and misuse of funds from RFL took place and was also the part of the loan approval committee of RFL which had approved the loans under CLB. As observed at para 7.4.3.6, despite repeated adverse concerns by RBI regarding CLB portfolio size and loans to promoter linked entities since 2012-13, RFL had continued to grant such loans to entities with poor financials and unimpressive credentials primarily as they were known to promoters and which were subsequently misused and diverted for the promoters' benefit. Thus, it is alleged that, Noticee no. 11 was deliberately negligent in failing to monitor and exercise adequate due diligience, as Group CFO of REL, director of RFL and member of loan approval committee of RFL and therefore, is observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of REL.

7.10. In view of the aforementioned findings, the following is alleged:

7.10.1. Noticee nos. 1 to 8, & 13 were part of a fraudulent and deceptive scheme wherein they acted in a fraudulent manner which led to diversion of funds to the tune of Rs. 2473.66 crores (approx.) through a material subsidiary of REL for the ultimate benefit of primarily Noticee no. 1, 3 and 8 and thus consequently, Noticee no. 6 and 7. Further Noticee nos. 6, 7, 10, 11 & 13 were also part of the fraudulent & deceptive scheme which led to misuse of funds of RFL to the tune of Rs. 343.25 crores (approx..). It is also alleged that the structured movement of funds from RFL through certain fixed deposits and borrowers of RFL for benefit of promoters of REL and RFL also resulted in misrepresentation in the consolidated financials and non-disclosure of material information in subsidiaries' financials and

consequently in REL's consolidated financials during the period from 2014-15 to 2017-18. Thus, the consolidated financials of Noticee no 9 viz, REL are alleged not to be true and fair and thus, misleading for the shareholders of REL during the relevant period of investigation. Further, despite repeated adverse RBI observations regarding RFL's CLB during the investigation period, Noticee no 9 viz, REL did not disclose the same to the stock exchanges till 2017. It is further alleged that, certain loan amounts were observed to be utilised for repayment of earlier loans taken by various entities from Noticee no 13 only. Such diversion and misuse of funds of RFL, which was a material subsidiary of REL during the relevant period, adversely impacted the interest of public shareholders of REL and mislead the ordinary investor in the securities market. Thus, it is alleged that all the above entities violated the provisions of Sections 12A (a) (b) & (c) of the SEBI Act, 1992 and Regulations 3 (b), 3(c) & 3 (d) and 4 (1) of the PFUTP Regulations, 2003. It is alleged that the aforesaid findings against Noticee no. 9 also resulted in violation of Regulation 4(2)(f) and 4(2)(r) of PFUTP Regulations, 2003 as well as Clauses 32 and 36 of the Listing Agreement (*since rescinded*), Clause 49(I)(C)(1)(a) & 49(I)(C)(1)(d) of the Listing agreement {post circular dtd April 17, 2014} read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA,1956; Regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(1),(g), 4(1)(h), 4(1)(i), 4(1)(j), 30(1) and 48 of LODR Regulations, 2015, by it.

7.10.2. Noticee nos. 10 & 11 also having issued certificates in the Annual Reports of REL during the relevant period of investigation *inter-alia* stating that "the financials of REL presented true and fair view of its affairs and not containing any misleading statement" was deliberately false and misleading and thus they are alleged to have violated Clause 49(IX) of the Listing Agreement (post circular dated April 17, 2014) (*since rescinded*) read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA, 1956, and Regulation 17(8) & 33(2)(a) of the LODR Regulations, 2015.

7.10.3. Noticee nos. 6, 7 & 10, being the director of REL and at the helm of the affairs of REL, deliberately failed to abide by the principles governing disclosures and obligations as prescribed with respect to listed companies and its shareholders. Despite repeated adverse concerns by RBI regarding CLB portfolio size and loans to promoter linked entities since 2012-13, RFL had continued to grant such loans to entities with poor financials and unimpressive credentials primarily as they were known to promoters. Further, the details of the minutes of the Committees of REL/RFL for approving investments/ loans made by the Company and its subsidiaries including RFL was regularly placed before the Board of REL during the FY 2014-15 to FY 2017-18 and the same contained details of the loans given to the various borrowers. Also, in the respective Board meeting minutes, the Board of REL duly took note of the said investments/loans as well as the consolidated financials of the Company. The above Noticees as directors of REL, deliberately failed to carefully monitor RFL's CLB and its impact on REL considering RFL was a material subsidiary and component of the consolidated financials of REL and thus, exhibited deliberate negligent approach in order to perpetuate the fraud.

7.10.4. In view of the above, it is alleged that Noticees nos. 6,7 & 10, while playing their part in the fraudulent scheme, deliberately failed to discharge their duty in a manner so as to ensure effective monitoring of the management of REL and to act with due diligence and care, which was required in the best interest of the listed company and its shareholders and thus, violated the provisions of 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 (post circular dtd April 17, 2014) (*since rescinded*) read with Regulation 103 of the 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 LODR Regulations, 2015. Additionally, Noticee No. 6 & 7 have deliberately violated the provisions of Clause 49(I)(D)(1)(a) of the Listing Agreement (*since rescinded*) read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA,1956 as well as Regulation 4(2) (f)(i)(1) of LODR Regulations, 2015.

7.10.5. Noticee No. 10, being part of the fraudulent and deceptive scheme and also being member of Audit Committee during the FY 2014-15 to 2017-18, allegedly, deliberately failed in discharge his duty as member of the Audit Committee of a listed company. From the copies of minutes of the REL's Audit Committee meetings during FYs 2014-15 till 2017-18, it is observed that Audit Committee, periodically took note of the standalone as well as consolidated financials of REL. Thus, it was found that considering significant CLB loan amounts made by RFL, a material subsidiary of REL and concerns raised by RBI regarding the same, Noticee no. 10 as being part of the fraudulent scheme, deliberately failed to intervene and question the continuous grant of loans under CLB, which could have checked and averted the subsequent defaults by the said borrowers and diversion of funds. Also, considering that the concerned loans were primarily approved for their proximity to and confidence shown by promoters, as a Audit Committee member, it was his fiduciary duty to the shareholders of REL to voice any reservations in this regard, which he deliberately failed to do. In view of the above, it is alleged that Noticee no. 10, intentionally failed to effectively discharge his duty as member of Audit Committee of a listed company and thus, deliberately failed to comply with the provisions of Clauses 49(III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post amendement dtd April 17, 2014} (*since rescinded*) read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1) under Part C of Schedule II and Regulations 24(2) of the LODR Regulations, 2015.

8. The SCN was served upon all the Noticees (except Noticee no. 1) by Speed Post and through electronic mail. Noticee no. 1 refused to accept the delivery of SCN by Speed Post. Hence, delivery through affixture at its corporate office address was done for Noticee no. 1. Noticee no. 1, 2, 3 and 8 have neither filed any reply to the SCN, nor did they appear for the personal hearing which was scheduled for January 6, 2021. Thus, the matter is being proceeded qua Noticee no. 1, 2, 3 and 8 on the basis of material available on record.

9. I note that, Noticee no. 12 to the SCN i.e. Mr. Kavi Arora, has filed a Special Leave Petition (Civil) 015149 of 2021, before the Hon'ble Supreme Court of India, impugning the judgment and order of the Hon'ble Bombay High Court dated September 15, 2021 passed in Writ Petition (L) No. 19352 of 2021. Vide the said order, Hon'ble Bombay High Court had dismissed the Writ Petition filed by the Noticee no. 12 challenging 'non-furnishing of documents in the present proceedings', for lack of substance. Hon'ble Supreme Court, while hearing the SLP No. 015149 of 2021, has passed an interim order dated September 27, 2021, *inter alia*, directing, 'not to take any final decision *qua* the Noticee no. 12, without the leave of the Court'. I note that, the hearing in the said SLP No. 015149 of 2021, is concluded and matter has been 'reserved for judgment' by Hon'ble Supreme Court on March 24, 2022. Therefore, considering the interim order dated September 27, 2021, by Hon'ble Supreme Court in SLP No. No. 015149 of 2021, the present order is being passed against all the other Noticees, except Noticee no. 12. Accordingly, any reference to Noticee no. 12, as made in the SCN, has been avoided while reproducing or referring to the allegation made in the SCN, in the present order. Also in the findings no reference has been to the role of Noticee no. 12 in the present order.

10. I also note that Noticee no. 9 and 13, had applied for settlement of the present proceedings under the SEBI (Settlement Proceedings) Regulations, 2018 on April 16, 2021. Their Settlement application was accepted by SEBI on the payment of settlement amount of Rs.10,50,75,000/- (Rs. Rs.5,41,80,000/- by REL and Rs.5,08,95,000/- by RFL). A separate Settlement Order came to be passed on May 31, 2022. Thus, the present order does not deal with Noticee no. 9 and 13. However, wherever necessary, for determining the liability of other Noticees, appropriate references have been made to the role of REL and RFL.

11. I note that Noticee no. 11 vide his reply dated June 3, 2021 and written submissions dated June 16, 2021, has *inter alia,* raised the following contentions to the allegations levelled in the SCN:

11.1. The Noticee joined REL, earlier named as Fortis Securities Ltd., on August 1, 2001 as Vice President, Back office and was associated with REL for over 16

years. Further, he was promoted as the Group Chief Financial Officer of REL in the year 2010 and was also appointed as an Executive Director on the Board of REL with effect from April 6, 2010. The Noticee resigned as an Executive Director of REL on January 24, 2013 but continued to function as the Group CFO of REL until his resignation on November 14, 2017. The Noticee was also appointed as the Managing Director of RFL in April, 2010 but he resigned as MD of RFL in November 2011 and thereafter, continued on the Board of Reliance Finvest Limited as a Non-Executtive Director and as a nominee of REL from November 2011 till his resignation in November 2017.

11.2. The Noticee has been made a part of the present proceedings solely on account of his designation as Group CFO of REL and a Director of RFL. SEBI has failed to appreciate and consider the roles and responsibilities of the Noticee as the Group CFO and further failed to appreciate and consider that the Noticee was a Non-Executive Director of RFL and that he was not involved in the day to day functioning of RFL.

11.3. The details regarding placing of Fixed Deposits with Laksmi Vilas Bank by RFL are a matter of record. However, it is also evident from the record that the Noticee was not involved in placing of the FDs or in the creation of charge over the FDs by RFL in favour of LVB towards loans taken by Ranchem and RHC Holdings. In this regard, the Noticee has submitted copies of certain emails exchanged between the then President and CFO of RFL and then Chief Business Officer of REL relating to the decision to place FDs with LVB. It is evident from the said emails that the Noticee was not even marked on the said emails and therefore, the Noticee was not involved in the decision of RFL to place the FDs with LVB and the same was done without his knowledge.

11.4. In his reply dated June 3, 3021, the Noticee has clarified that he was only one of the members of the Loan Approval Committee/Credit Committee, which approved loans granted by RFL and every decision was taken in concurrence with all the other members of the Loan Approval Committee. There is not even a single case of approval of loans where any of the other committee member has refused the said loan. The Noticee ceased to be a member of the Loan Approval

Committee/Credit Committee after October 2016; After Feb 2016, all loans granted to related parties were required to be pre-approved by a Related Party Transaction Sub — Committee of REL. The Noticee was never a member of the RPT Sub-Committee. None of the other members of Loan Approval Committee and RPT Sub-Committee, except Kavi Arora and Sunil Godhwani, have been made part of this SCN.

11.5. The SCN does not specify which of the 22 loans were approved by the Noticee, as a member of the Loan Approval Committee/Credit Committee. Furthermore, SEBI has failed to consider that the Noticee was only one member of the Committee and that the loan papers were placed for approval after RFL's internal due diligence. SEBI has also failed to note that out of the loans to the 22 entities mentioned in Table 6 of the SCN, only following 6 loans were approved by the Loan Approval Committee of which the Noticee was a member i.e.

11.5.1. Best Health Management Private Limited
11.5.2. Devera Developers Pvt Ltd.
11.5.3. Vitoba Realtors Pvt. Ltd.
11.5.4. Artifice Properties Private Limited
11.5.5. Modland Wears Pvt ltd.
11.5.6. Zolton Properties Pvt. Ltd.

11.6. Over a period of time, the loan approval committees inter alia comprised of various senior executives of the REL/RFL namely Mr. Sachindra Nath (Group CEO of REL), Mr. Sunil Garg (Treasury head of REL, Mr. Kavi Arora (CEO of RFL, Mr. Pankaj Sharma (CRO of RFL, Mr. Bipin Kabra (CFO of RFL and the Noticee (Group CFO of REL). It is pertinent to note that the Noticee was never part of any loan approval committee after October 2016. After October 2016 RFL constituted a committee called Risk Management Committee for the approval of loans. The Noticee was also not part of the Risk Management Committee. It is also pertinent to note that none of the other members of the Loan Approval Committee, except Mr Kavi Arora and the Noticee, are part of these proceedings as Noticees; Mr. Pankaj Sharma, one of the members at the relevant time is still working with RFL. None of the members of the said RPT Sub-Committee of REL

are Noticees in these proceedings, except Sunil Godhwani, whereas, the Noticee who was not a member of the said RPT Sub-Committee is wrongly alleged of having knowledge of and complicity of these loan transactions.

11.7. It is stated that the approval given by the Committee, of which the Noticee was a part of, for disbursement of loans from RFL to Best Heath, Devera and Vitoba was based on a proper diligence and on the basis of sound considerations and reasoning. Similarly, during disbursement of loans from RFL to Artifice; Modland; Zolton were approved by the loan approval committee comprising of Mr. Sunil Garg, Mr. Kavi Arora, Mr. Sunil Godhwani, Mr. Pankaj Sharma and the Noticee on August 31, 2016 vide Resolution bearing No. RPT/CR No. 2/2016-17. It is also pertinent to note that all 3 loans were also previously approved and cleared by the RPT Sub-Committee of REL consisting of independent members as mandated by the prevailing policy.

11.8. At the time of approval of the said loans, the Noticee did so as part of a Committee and under the bona fide belief that the said loans would be repaid; he had no reason to doubt the integrity of the entities to whom the loans were to be given by RFL. Furthermore, as a member of the Committee, the Noticee had approved the said loans with the required diligence and on sound considerations on the basis of the representations made in the loan proposals, the collateral security provided and based on the prior approval of the RPT Sub-Committee of REL. The end-use certificate in connection with these three entities were also provided within a month. The Noticee had no reasons to doubt that the said loans would not be utilised for the purpose for which they were disbursed to the concerned entities. It is further pertinent to note that once the loans were disbursed, the Noticee had no knowledge as to its future application and treatment.

11.9. Thus, the Noticee submits that he has exercised due diligence in his role as group CFO of REL, non-executive director of RFL and member of the loan approval committee of RFL and SCN has failed to establish otherwise.

11.10. The Noticee was the CFO of REL and was primarily in charge of certifying and looking into the standalone financials of REL and its subsidiaries. The SCN does not allege anything in connection with the role played by the Noticee in connection with the standalone financial results of REL. The SCN in Section 8.1, 8.2 and 8.3 refers to a large number of alleged fund transactions and voluminous data pertaining to various entities, which are not connected or related to the Noticee; obviously, he cannot be held liable for these transactions since he was not aware of the transactions with these entities. In any event, if at all, the Noticee was aware of only the identity borrower and not beyond the same.

11.11. The SCN has also failed to note that the CEO & CFO of RFL did not report to the CFO of REL i.e. to the Noticee. Therefore, it is the CEO & CFO of RFL who are primarily responsible for certifying the standalone financial statements of the RFL on the basis of which the consolidated statements of REL were certified. It may be noted that the CFO of RFL is not a Noticee in the present proceedings although the misuse of funds is alleged to have taken place at RFL.

11.12. It is also pertinent to note that the Noticee was only a Non-Executive Director on the Board of RFL and as such, he was not involved in the day to day affairs of RFL. It may also be noted that RFL being a material subsidiary, REL had an independent director on the board of RFL as required by the LODR Regulations. As mentioned above, the day to day affairs of RFL were handled by a separate team and the Noticee being a Non-Executive Director did not take part in the day to day affairs of RFL. Neither the auditors nor any member of the Board of RFL ever raised any concerns with respect to the financials of RFL or any transaction pertaining to RFL in any of the Board Meetings attended by the Noticee. The Noticee did not and could not have had knowledge of the multiple transactions referred to in the SCN simply by being on the Board of RFL as a Non-Executive Director,

12. I note that Noticee no. 10 vide his reply dated Sept. 11, 2021, has *inter alia,* raised the following contentions to the allegations levelled in the SCN:

12.1. The Noticee was never a part of any of the committees of RFL, including its loan approving committees or any other committee of RFL. It is pertinent to note that the loans were processed and approved by respective loan approving committees, consisting of experts in various fields. It is submitted that one of the investors of REL, i.e. International Finance Corporation desired that fresh Inter Corporate loans should also be placed before Related Party Sub-Committee, to be created at the level of holding company i.e. REL. Thus the RPT Sub Committee was constituted in the year 2016 and the same consisted of three members, our Client being the chairman and Monish K. Dutt (Independent Director appointed by IFC) one of the other member. The committee considered some of the fresh Inter Corporate Loan transactions, on the basis of the advice of professionals and Company Secretary. All such fresh Inter Corporate Loan transactions as referred/ forwarded to Related Party Sub Committee were always informed to our Client by the Company secretary of the REL to be in four corners of law and at the arm's length and in the interest of Company. It is submitted that even today it is nobody's case that such transactions were barred under any law. It is submitted that RPT sub-committee technically has no power to approve or disapprove any such Inter Corporate Loan transactions and was only for the purposes of compliance and information to the board, in case of any doubtful Inter Corporate Loan transaction proposal received.

12.2. Without prejudice to the above, as advised at the said time, there is no illegality whatsoever in RFL granting the loans to the entities referred to in the SCN and the same were compliant with the provisions of law, including the Companies Act, 2013. Even the Statutory Auditors never raised any objections as to the illegality in transactions. Significantly, it is not SEBI's case that the loans were granted illegally or in violation of any law. It is permissible in law for a company to grant loans to its sister companies and/ or related parties etc. Accordingly, unless it is shown that the loans were granted illegally (which SEBI has not even attempted to do), there is no question of the granting of the said loans amounting to diversion etc. It is respectfully submitted that once it is found that the loans were not illegal and in violation of law, there is no question of the Noticee exercising any fiduciary duty to refuse to grant of the loans. In other

words, since the loans were permissible and validly granted under the Act, the question of our Client having breached any fiduciary duties cannot and does not arise.

12.3. It is pertinent to note that the Noticee was never a part of any of the committees of RFL, including its loan approving committees and/ or audit committee and the SCN wrongly alleges the same.

12.4. Further, the SCN relies on statements of "Committee Members", wherein the said Committee Members have made allegations against the Noticee. By our letter dated January 14, 2021, the Noticee has requested SEBI to provide the said statements, however, neither our Client nor have we received any response. The failure to provide a complete copy of the SCN is a clear breach of natural justice. Our Client is filing the present replv without prejudice to the same.

12.5. While the Noticee has never been a part of any committee of RFL, which scrutinized and approved proposals for the loans under the CLB, given the concerns of the RBI, around 2015, he requested the management of RFL to keep him abreast of disbursal of any inter corporate loans under the CLB portfolio in light of the concerns raised by the RBI. However, every loan under the CLB portfolio of RFL was finally approved by the various committees formed by RFL before disbursal.

12.6. Out of the 22 loans referred to in 'Table 6' of the SCN, the loans given by RFL to Fern Healthcare Pvt. Ltd, Ad Advertising Pvt. Ltd., Star Artworks Pvt. Ltd., Torus Buildcon Pvt. Ltd., A&A Capital Services Pvt. Ltd. Gurudev Financial Services Pvt. Ltd., Tara Alloys Ltd. Sridham Distributors Pvt. Ltd. (previously known as Abhiruchi Distributors Pvt. Ltd.), Annies Apparel Pvt. Ltd., Bharat Road Network Limited (Sr. Nos. 5, 8, 10, 14, 15, 16, 17, 18, 19 and 22 of Table 6) were granted after the Noticee was made a Non — KMP director of REL and was no longer a part of any committee of REL, including the RPT of REL. Further, these loans never came to our Client for approval, nor has he granted any of the loans.

12.7. Moreover, the loans given by RFL to Platinum Infrastructure Pvt. Ltd and Religare Comtrade Limited (Sr. Nos. 7 and 20 of Table 6) were granted after our Client resigned as Whole Time Director of REL on 7th September 2017.

12.8. Out of the remaining loans, the loans given by RFL to Best Health Management Pvt. Ltd., Devera Developers Pvt. Ltd. and Vitoba Realtors Pvt. Ltd. (Sr. Nos. 2, 3 and 4 of Table 6) were originally loans against property. Subsequently, the said loans were converted to CLB loans in August 2017, when the Noticee was no longer CEO/ Key Managerial Personnel of REL or part of the RPT Committee of REL and just before his exit from REL in September 2017. Further, the Noticee did not approve the conversion nor was his approval sought.

12.9. On 29th July 2016, the Noticee stepped down as CMD from the Board of REL, however, he continued as CEO and Whole Time Director of REL.

12.10. On October 21, 2016, the Noticee stepped down as CEO of REL and was no longer a Key Managerial Personnel of REL, however, he only continued in the capacity of Whole Time Director of REL. It is pertinent to note that the Noticee was no longer part of any committee of REL, including the RPT Committee. After stepping down as CEO, the Noticee stopped attending the office of REL. The same was also recorded in the Board Minutes of REL in the Board Meeting held on 26th October 2016. The Noticee's absence in the Board Meetings of REL were also recorded in subsequent Board Minutes. The Noticee says that he resigned from the post of Whole Time Director of REL. on 7th September 2017 and he is no longer associated with REL in any capacity whatsoever.

12.11. Contrary to the allegations in the SCN, the letter from RFL to RBI dated January 11, 2017, confirms that during the Noticee's tenure in REL, there was no increase in the exposure of the CLB in accordance with the undertaking given by the Noticee to the RBI as stated hereinabove. Further, the letter also confirms that the Noticee ensured that the exposure of CLB did not go beyond the amount of Rs. 1719.65 Crores as given in the undertaking to RBI.

12.12. Finally, to be clear, the Noticee's involvement in the CLB portfolio was only restricted to considering loans as the chairman of the RPT Committee of REL and the Noticee believe and was led to believe that the loans were to be utilised for the purpose as stated in the proposal for the loans as stated hereinabove. As per the allegations in the SCN, the loans disbursed by RFL were ultimately utilised for the benefit of the promoters of REL, however, the Noticee had no connection therewith and no knowledge thereof.

Consideration of submissions and findings thereon:

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

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

Table 9: Summary of diversion of funds through RFL

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation	
			Amount (Rs. In Crores)	Ultimate beneficiary
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00	**RHC Holding**
2	Ad Advertising Pvt. Ltd.	100.00	100.00	**RHC Holding**
3	Artifice Properties Pvt. Ltd.	165.00	133.48	**RHC Holding**
4	Best Health Management	40.00	115.00	**RHC Holding**
5	Devera Developers	40.00		

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

6	Vitoba Realtors	35.00		
7	Fern Healthcare Pvt. Ltd.	150.00	125.00	**RHC Holding**
8	Modland Wears Pvt. Ltd.	155.00	13.00	**RHC Holding**
9	Rosestar Marketing Pvt. Ltd.	150.00	150.00	**RHC Holding**
10	Star Artworks Pvt. Ltd.	150.00	150.00	**RHC Holding**
11	Tripoli Investment & Trading Co.	150.00	150.00	**RHC Holding**
12	Volga Management and Consultancy Pvt. Ltd.	150.00	125.00	**RHC Holding**
13	Zolton Properties Pvt. Ltd.	160.00	150.00	**RHC Holding**
			10.00	**ANR Securities**
14	A&A Capital	100	46.25	**RHC Holding**
15	Gurudev Financial Services Private Limited	100	42.80	**RHC Holding**
16	Tara Alloys Limited	85	44	**RHC Holding**
17	Sridham Distributors Private Limited	92.40	15	**RHC Holding**
18	Religare Comtrade Limited	125	75	**RHC Holding**
19	OSPL Infradeal Private Limited	200	231	**RHC Holding**
			19	**Religare Corporate Services**
	Total	**2347.2**	**1744.53**	

13.2. **Misrepresentation of Financial Statements:** Funds amounting to Rs. 343.25 crores, as given by RFL to the certain borrowers, were utilised by same/other entities as interest/loan repayment for their earlier loans taken from RFL itself. The details of the same are given at Para- 7.4.3.2. In this regard, it was found that that such rollover of funds of RFL was allegedly carried out in order to avoid earlier loans of RFL being rendered as Non – performing assets. Due to the roll-over of loans taken up by RFL, NPA accounts were shown as active accounts. It was observed that similar observations were also made in the RBI letter dated January 27, 2017. Thus, it is alleged that the aforesaid rollover of funds aided in misrepresentation in the books of RFL during the FYs 2014-15 to 2017-18 and consequently, in the consolidated financials of REL during the same period.

14. Advocates appearing on behalf of Noticee no. 4 and 6 had requested for adjournment of the first hearing held on January 6, 2021, on the ground that they wanted to have an 'inspection of documents'. Accordingly, the matter was adjourned to February 22, 2021, and the opportunity for inspection of documents was availed by the said Advocates on January 18, 2021. At the hearing which was scheduled on February 22, 2021, none appeared for Noticee no. 4 and 6. However, vide letter dated February 18, 2021, Mr. Vinod Rajgopalan, acting as the constituted attorney for Noticee no. 4 and 6, informed that he was unable to obtain clear instructions from Noticee no. 6 on account of his continued incarceration and

ongoing pandemic situation. Mr. Rajgopalan had requested not to proceed any further in the matter or pass any adverse orders against Noticee no. 6. In this regard, I note that Noticee no. 4 and 6 had filed Appeal no. 1 of 2021 before Hon'ble SAT, impugning the Confirmatory Order. The said Appeal came to be dismissed on August 31, 2021 for want of prosecution. Further, I note that during the hearing on January 06, 2021, the authorized representative of Noticee no. 4 and 6 sought for inspection of documents which was provided to them and was availed by them on January 18, 2021. Despite taking inspection of documents, no reply was filed by the Noticee no. 4 and 6 and a red herring request for adjournment was made by the constituted attorney of these Noticees during the hearing held on February 06, 2021 without indicating any date to which they wanted the matter to be adjourned. Having regard to the lackadaisical and delaying conduct of these Noticees, the request for adjournment *sine die,* from Noticee no. 6, was not acceded to. Therefore, the opportunity for personal hearing for Noticee no. 4 and 6 was closed and as a measure of equity and justice, the said Noticees were granted another 15 days time from the date of receipt of the communication i.e. email dated February 23, 2021, to file their reply to the SCN. I note that more than sixteen months have lapsed since the last communication dated February 23, 2021, by which these Noticees were asked to file reply, but Noticee no. 4 and 6 have yet not filed any reply to the allegations made in the SCN.

15. However, I note that a letter dated February 9, 2022 and April 13, 2022, has been received from the authorized representatives of Noticee no. 4 and 6, in relation to the present SCN, wherein they have called for a request to re-investigate the matter and a request to grant another opportunity for inspection documents. I note that the authorized representatives of Noticee no. 4 and 6, were already granted an opportunity of inspection of documents on January 18, 2021, which was availed by them. Thus, I do not find any merit in the request for another opportunity of inspection of documents as made by these Noticees. As regards, their request for re-investigation in the matter, I note that despite the direction to Noticee no. 4 and 6 to file their reply to the SCN, the said Noticees have failed to file any reply. The proceedings are an outcome of the detailed investigation by SEBI and on the basis of that investigation, the SCN came to be issued to the Noticees. I note that the request for re-investigation made by the these Noticees is beyond the scope of

these proceedings as the mandate for these proceedings is limited to the determination of the veracity of the allegations made in the SCN. It is the case of these Noticees that their submissions were not considered by the Investigating Authority of SEBI and they have been wrongly accused. Be that as it may, I note that the investigation by SEBI did consider the submissions made by Noticee no. 6, however, after being unconvinced with the said submissions and finding evidence contrary to it, investigation found Noticee no. 6 to be one of the perpetrators of the fraud. It is now open for Noticee no. 6 to contest the findings of the investigation and present suitable evidence thereof, in order to refute the charges in the SCN. I find that, instead of defending the charges in the SCN, the said Noticees have been trying to scuttle the advancement of these proceedings, without filing any reply on the merits of the case. In view of the fact that Noticee no. 4 and 6 have failed to file any merit based reply to the SCN, or failure to file even a 'Without Prejudice" reply either, even after the passage of one and a half years to the issuance of the SCN, the matter is now being proceeded qua these Noticees, on the basis of material available on record.

16. It is pertinent to note that ever since the issuance of the SCN in November 2020, Noticee no. 5 and 7 had sought adjournments which were granted to them, keeping in view the principles of natural justice and equity. The adjournments came to be granted on various grounds (details of which are mentioned in the following table) such as, limited visitation time in jail being available to the lawyers since most time being consumed in parallel criminal proceedings by other agencies, hospitalization of Mr. Shivinder Singh, special provisioning of physical copies of annexures to SCN in Jail - which were otherwise given in CD Form, requisitioning to Jail authorities to provide access to audio-visual teleconference facility for Mr. Singh for attending hearing, additional time for the Advocates to approach the court of Competent jurisdiction to seek relief in the form of enhanced visitation rights with his clients to finalize the reply for the SCN, etc.

Sr. No.	**Date of Hearing**	**Reason for adjournment**

1	January 6, 2021	Vide her letter dated December 21, 2020, wife of Noticee no. 7 had sought for adjournment on the ground that Noticee no. 7 was incarcerated and she would require more time to engage a legal representative to defend the case for Noticee no. 7.
2	February 25, 2021	The Advocate representing Noticee no. 7 had expressed his difficulty in coordinating and obtaining instructions from Noticee no. 7, since his client was incarcerated. The Ld. Advocate was called upon to share the details of the prison in which Noticee no. 7 was incarcerated, so that appropriate instructions could be sent to the concerned Jail Superintendent to make Noticee no. 7 available by audio-visual teleconference for the next hearing. The Ld. Advocate was also informed to file the reply on behalf of his client before the next date of hearing.
3	March 26, 2021	The Ld. Adv. representing Noticee no. 7 acknowledged that his client has received in jail, the copy of the SCN in physical form and the supporting Annexure in CD. He expressed the inability of his clients to access the documents in CD, since he did not have access to a computer in jail. The documents were served in CD by SEBI since the data was voluminous. The Ld. Adv. was directed to take the print out of those documents and appropriately serve the same to his clients in Jail. The Ld. Adv. was once again directed to subsequently file the reply on behalf of his client before the next date of hearing.
4	April 23, 2021	The Ld. Adv. representing Noticee no. 7 informed that his client had tested positive for COVID and he was being moved to the hospital from Tihar Jail. The Adv. confirmed that his client has been provided with the physical copies of the documents contained in Annexure to the SCN. Adjournment was granted on medical grounds and the Ld. Adv. was once again directed to file the reply on behalf of Noticee no. 7 and 5 before the next date of hearing.
5	May 14, 2021	The Ld. Adv. representing Noticee no. 7 informed that his client was admitted in Max Hospital and he was recovering from COVID infection. The Adv. expressed his inability to obtain instructions from his client and hence, requested for an adjournment.
6	June 4, 2021	The Ld. Adv. apprised that there is no change in the status of his client's health since the last hearing. He furnished a medical

		note suggesting that doctors at Max Hospital had advised him to undergo surgery to stop his nose bleeding.
7	August 17, 2021	The Ld. Adv. appearing on behalf of Noticee no. 7 pleaded that his client's visitation time in prison was limited and was taken up by his lawyers for the criminal matters. The Ld. Adv. insisted that he be given more time so that he can approach appropriate forum for seeking enhanced visitation rights for his client, so that his client can have more time to discuss with his lawyers and finalize the reply to the present SCN. He was informed that the reply to the SCN ought to have been filed by his client within 21 days from the receipt of the SCN. The Ld. Adv. was also informed that Noticee no. 3 may take up the matter before the concerned authorities, to obtain enhanced visitation timings As a final opportunity the hearing was adjourned to September 15, 2021, before which date Noticee no. 7 and 5 were directed to file their reply.
8	September 15, 2021	Ld. Adv. representing Noticee no. 7 and 5 had informed that, his clients had filed appropriate application before the Additional Sessions Judge, praying for extended visitation rights, however the same came to be dismissed. He submitted that Noticee no. 7 has preferred a Writ Petition before the Hon'ble Delhi High Court, impugning the dismissal order of Ld. Additional Sessions Judge and that the Writ Petition was due to be heard on October 1, 2021. The matter thus came to be adjourned to October 6, 2021.
9	October 6, 2021	The Adv. representing Noticee no. 7 informed that his client had filed Writ Petition before the Hon'ble Delhi High Court seeking urgent directions to Jail Superintendent Tihar Jail, to facilitate legal meetings between Noticee no. 7 and his lawyer. He submitted that jail authorities have stated no objection to the petitioner's prayer for arrangement of meeting with his client at Saket Court Mediation Centre. He further submitted that the matter was only pending for final orders of the Hon'ble Delhi High Court on October 11, 2021.
10	November 9, 2021	The Ld. Adv. representing Noticee no. 7 and 5, submitted that, the Hon'ble High Court at Delhi in CRL M.C. 2269/ 2021, vide its order dated October 28, 2021, has directed the Tihar Jail authorities to produce Noticee no. 3 at the Delhi Mediation Centre, Saket Courts, on November 8, 10, 12 and 15, to meet with his lawyers. He stated that these visitation rights with

		Noticee no. 7 would enable him to finalize the reply *inter alia* for the extant proceedings. The Ld. Adv. was informed to file the reply on behalf of Noticee no. 7 and 5 within 21 days after the last day of the scheduled meetings with his clients.

17. I note that in the hearing held on November 9, 2021, the Noticee no. 5 and 7 were directed to file their reply within 21 days after the conclusion of the last court approved meeting dated November 15, 2021. It is noted that time of 21 days had expired on December 6, 2021, however, despite availing the opportunity of court approved meetings with his clients on four occasions, Noticee no. 5 and 7 have failed to file a merit based reply to the allegations in the SCN.

18. I note that, Advocate representing Noticee no. 5 and 7 sent letter dated December 14, 2021, *inter alia* requesting for another opportunity of inspection of documents in the said matter. Acceding to their request, in the interest of principles of natural justice, another opportunity for inspection of documents was scheduled to be granted to them on December 23, 2021. An email communicating this date was sent to them on December 17, 2021. The Advocates had the option to undertake inspection of documents, either through online mode or by physical visit at SEBI's Head Office. However, the Advocates failed to avail the opportunity of inspection of documents on the scheduled time and date, on the ground of 'insufficient time to prepare for inspection of documents'. Subsequently, vide another letter dated January 28, 2022, the advocate for the said Noticees, writing on behalf of their clients i.e. Noticee no. 5 and 7, requested for another opportunity for inspection of documents, claiming that the earlier opportunity that was granted to them on December 23, 2021 could not be availed.

19. With regards to the opportunity for inspection of documents, Noticee no. 5 and 7 were advised by letters dated January 15, 2021 and February 25, 2021 to undertake inspection of documents, at a suitable time and date, however, the said Noticees ignored and failed to take any initiative to avail the opportunity of inspection of documents. Considering the lax attitude of the said Noticees in availing the inspection of documents, again, a date was fixed by SEBI i.e. August 2, 2021, wherein the advocates representing these Noticees were called upon to

avail the inspection of documents (either through online mode or offline mode), however, these Noticees failed to avail this opportunity as well. Therefore, in the instant matter, I find that these Noticees have consistently ignored and failed to avail the opportunity for inspection of documents. Further, at the hearing held on November 9, 2021, the said Noticees were specifically directed to file their replies within 21 days after the conclusion of the last court approved meeting dated November 15, 2021 which was agreed to by them also. However, no reply came to be filed by these Noticees by December 6, 2021, which was the last date for filling the reply. Instead a request was moved by the advocates of the said Noticees only on December 14, 2021, seeking for another opportunity of inspection of documents. In the interest of adherence to principles of natural justice, another opportunity for inspection of documents was provided to the Advocates for Noticee no. 5 and 7, on December 23, 2021. However, the Advocates failed to avail the opportunity of inspection of documents on the scheduled time and date. Further, since, no inspection of documents was availed by the said Noticees in the instant matter, in the interest of justice, vide letter dated January 7, 2022, addressed to the advocates representing Noticee no. 5 and 7, SEBI provided a CD containing the copies of all the documents relied upon by the SCN. The advocates were advised to file the reply on behalf of Noticee no. 5 and 7 within 14 days from the receipt of the said letter. It was also informed to these Noticees that in case no reply is filed within the time given, the matter shall be proceeded on the basis of material available on record. Even after expiry of the stipulated time, no reply came to be filed by these Noticees. Instead, as stated above, vide their letter dated January 28, 2022, the advocates, further requested for extension of time to file the reply to the SCN since according to them, their client could not review the documents provided in CD because the same could not be delivered in jail owing to the restrictions imposed by the Jail authorities due to ongoing pandemic. However, even after passage of two months from the receipt of the Advocate's letter dated January 28, 2022, wherein they had requested for extension of time to file the reply, it was noticed that, no reply on merit came to be filed by these Noticees, and hence, it was subsequently decided to proceed against these Noticees on the basis of the material available on record, as already informed to them vide SEBI's letter dated January 07, 2022. Instead, the Advocates for Noticee no. 5 and 7, vide their letter dated May 2, June 9, and July 23, 2022, have

now sought copies of Investigation Report. As noted above, Noticee no. 5 and 7 did not avail the opportunity of inspection provided to them, and also did not file any merit based reply even after receiving the documents and a time period of around three months to file reply. However, vide letters dated May 02, 2022 and June 09, 2022, these Noticees have *inter alia* made a request for copy of investigation report. Having regard to the conduct of these Noticees towards these proceedings, I find that the said request was nothing but only a delaying tactic.

20. I note that, in order to ensure compliance with the principles of natural justice, the said Noticees were given long rope to take inspection of documents (they were informed on multiple occasions to avail the inspection of documents 'by fixing a suitable appointment' and on two occasions dates were also fixed for availing the inspection of documents which they conveniently failed to avail). I also note that since the advocates failed to avail the opportunity of inspection of documents being granted to them, so the documents were arranged to be provided in CD's on two occasions, however, even after providing those documents, the said Noticees ignored to file any merit based reply. Not even a 'Without Prejudice' reply has been filed by these Noticees. It is also pertinent to note that the said Noticees had also approached the Hon'ble SAT in Appeal no. 522 of 2020, impugning the Confirmatory Order. Hon'ble SAT was pleased to dismiss the appeal for want of merit and directed the undersigned to pass the orders within six months from the date when the said Noticees file their reply to the SCN. Thus, I find that, despite being aware of the directions by Hon'ble SAT, the said Noticees have conveniently ignored to file their reply to the SCN. Around May 2022, the Advocates representing Noticee no. 5 and 7, insisted to inspect the copies of the Investigation Report with the Annexures thereon. However, in view of such conduct of the said Noticees, which hardly inspires any confidence and exhibits profuse demeanor of dilatory tactics, it was decided that no further opportunity of inspection of documents and opportunity of personal hearing, may be granted to them and the present matter be proceeded qua these Noticees, on the basis of material available on record.

21. In their letter dated December 10, 2021, Advocates for Noticee no. 5 and 7 had made a request for cross-examination of forensic auditor and Investigating Officer.

In this regard, I note that Noticee no. 5 and 7, have been provided with copy of the SCN alongwith the Annexures, as supporting documentary evidence. I also note that one of the Annexures to the SCN is the FAR (with its Annexures). The SCN contains the findings of the Investigation Report. In light of the above, I note that. Noticee no. 5 and 7 have baldly made a request for cross-examination without even extrapolating those statements (if any) by the forensic auditor or the Investigating Officer which cannot be supported by corroborating evidence and which would thus, require cross-examination. I also note that said Noticees have not filed any merit based reply making out therein any case for cross-examination.

22. I note that Advocates representing Noticee no. 5 and 7, in their letter dated December 14, 2021, have raised a preliminary contention that, the SCN issued is defective in as much as in the first instance cause need only be shown as to why an inquiry should not be instituted against the Noticee and no notice for imposing penalty can be issued at this stage. It is the case of the said Noticees that the instant proceedings are not being held in accordance with the process prescribed in Rule 4 of the SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules, 1995'**) and SCRA (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules, 2005'**). According to the said Noticees, the present SCN proceeds with the inquiry by fixing a date of hearing, without forming an opinion under Rule 4(3). It is their case that the proceedings are being held with a prejudiced mindset.

23. Before proceeding to deal with the aforesaid contention of the said Noticees, an extract of Rule 4 of the Rules, which is *pari materia* to the Rule 4 of SCRA Rules, is reproduced hereunder:

> **Holding of inquiry.**
>
> *4. (1) In holding an inquiry for the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15HA and 15HB whether any person has committed contraventions as specified in any of sections 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15HA and 15HB the adjudicating officer shall, in the first instance, issue a notice to such person requiring him to show cause within such period as may be specified in the notice (being not less than fourteen days from the date of service thereof) why an inquiry should not be held against him.*

(2) Every notice under sub-rule (1) to any such person shall indicate the nature of offence alleged to have been committed by him.

(3) If, after considering the cause, if any, shown by such person, the adjudicating officer is of the opinion that an inquiry should be held, he shall issue a notice fixing a date for the appearance of that person either personally or through his lawyer or other authorised representative.

(4) On the date fixed, the adjudicating officer shall explain to the person proceeded against or his lawyer or authorised representative, the offence, alleged to have been committed by such person indicating the provisions of the Act, rules or regulations in respect of which contravention is alleged to have taken place.

(5) The adjudicating officer shall then give an opportunity to such person to produce such documents or evidence as he may consider relevant to the inquiry and if necessary the hearing may be adjourned to a future date and in taking such evidence the adjudicating officer shall not be bound to observe the provisions of the Evidence Act, 1872 (11 of 1872):

Provided that the notice referred to in sub-rule (3), and the personal hearing referred to in sub-rules (3), (4) and (5) may, at the request of the person concerned, be waived.

(5A) The Board may appoint a presenting officer in an inquiry under this rule.

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

(7) If any person fails, neglects or refuses to appear as required by sub-rule (3) before the adjudicating officer, the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so.

24. I note that Rule 4 contemplates the issuance of notice at two stages, in the first instance, a notice to show cause as to why an inquiry should not be held and at the second stage, after considering the cause shown, a notice to fix a date of hearing if the adjudicating officer thinks it is fit to proceed with the inquiry. It is the precise case of Noticee no. 5 and 7 that the since the present SCN also fixes a date of hearing therefore, the undersigned has proceeded with the inquiry in a prejudicial manner without forming an opinion under Rule 4(3). I note that the present matter emanates from the proceedings initiated by the ex-parte Interim Order and subsequent Confirmatory Order passed by SEBI in the matter against several entities including Noticee no. 5 and 7 herein. All these orders came to be

passed on the basis of FAR and preliminary examination by SEBI into the affairs of REL and RFL. Subsequently, a detailed investigation was conducted by SEBI and the present SCN came to be issued. While submitting their objections to the Interim Order, Noticee no. 5 and 7 made their submissions before the erstwhile WTM at the Confirmatory Order stage. Noticee no. 5 and 7 also challenged the Confirmatory Order by filing an appeal before Hon'ble SAT. However, no interference was made by the Hon'ble SAT in the impugned SEBI order. Thus, I find that apart from the SCN and its Annexures, ample material such as Interim Order, Confirmatory Order, Hon'ble SAT order, etc., was available on record to form an opinion qua the Noticees to continue with the inquiry and fix a date of hearing under Rule 4(3) of the Rules. In this regard, the present case falls on a different pedestal altogether as compared to a case where a fresh show cause notice is issued only after investigation by SEBI and there are no operating interim directions. In the instant case, in the interest of expeditious conduct of the proceedings, since interim directions were operating against some of the Noticees without attaining any finality, the date of hearing was fixed at the time of issuance of the SCN itself. I find that Noticee no. 5 and 7 have failed to show as to what prejudice has been caused to them because of issue of a combined notice under Rule 4(1) and 4(3). I note that the underlying principle behind the process laid down under Rule 4(1) and Rule 4(3) is that no person should be penalized without having been given a fair chance to present his case. In this aspect, I find that Rule 4 of the Rules and SCRA Rules, have been substantively complied with. As discussed at para 16-20, I note that even after 18 months from the issuance of the SCN the said Noticees have failed to file a merit based reply. They have failed to avail the various opportunities for inspection of documents granted to them. I find that the said Noticees have merely excused themselves from filing any reply on the ground that the SCN is defective. They could have filed a 'Without Prejudice' reply. I note that, not only the said Noticees have failed to show the prejudice caused to them, but their conduct exhibits that they merely want to delay the proceedings without filing any reply on merit and want to use Regulation 4(3) to their advantage to stall these proceedings.

25. Without prejudice to my observations in the preceding paragraph, the following is also noted. The present proceedings have been instituted by SEBI by way of the SCN issued under Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) of the SEBI Act, 1992 and Section 12A(1) and 12A(2) of SCRA,1956. I note that Section 11B (2) and 11(4A) of the SEBI Act, 1992 and Section 12A(2) of the SCRA, 1956, were inserted only by way of an amendment to the SEBI Act, 1992, with effect from March 8, 2019. I find that by virtue of these amendments, Board was also empowered to impose penalties for violations stipulated under Chapter VIA of the SEBI Act,1992. Prior to this SEBI could impose monetary penalties under Chapter VI – A of SEBI Act, 1992, only by appointing an officer under Section 15-I of the SEBI Act, 1992, as the 'adjudicating officer'. I note that prior to the aforesaid amendment to the SEBI Act, 1992 and SCRA Act, 1956, SEBI was empowered to issue regulatory directions under Sections 11(1), 11(B)(1) and Section 11(4) of the SEBI Act, 1992 and Section 12A(1) of SCRA Act, 1956. However, subsequent to the aforesaid amendment, in appropriate cases, where SEBI (i.e. the Board) was empowered to impose penalty by itself alongwith regulatory directions against the same entities, by a single proceeding. I note that, for adjudication of penalties under Chapter VIA of the SEBI Act, 1992, the Central Government has framed the Rules which has been made applicable to penalties to be imposed by the Board under Sections 11(4A), 11B(2) and 15I of SEBI Act, 1992. Thus, while a procedure for conducting adjudication proceedings under Chapter VIA of the SEBI Act, 1992, has been laid down in law, no such prescribed process exists for conduct of proceedings under Sections 11(1), 11B(1) and 11(4) of SEBI Act, 1992 and Section 12A(1) of SCRA, 1956. I also note that the purport and reach of any regulatory directions being issued under Sections 11(1), 11B(1) and 11(4) of SEBI Act, 1992 and Section 12A(1) of SCRA, 1956, is wide. Considering the dynamic and versatile nature of the securities market, the legislature thought it appropriate, to provide the necessary flexibility to SEBI while conducting proceedings under these provisions, albeit without compromising on the principles of natural justice. In view of the aforesaid discussion, I note that though the procedure for conduct of 'inquiry' under Chapter VIA of the SEBI Act, 1992, is laid down in the Rules, but the same can be suitably modified in case of combined action (as the present one) which contemplate issuance of regulatory directions under Sections 11(1), 11B(1), 11(4) of the SEBI Act, 1992 and Section 12A(1) of SCRA, 1956 alongwith imposition of

penalty under Section 11B(2), 11(4A) of SEBI Act, 1992 and Section 12A(2) of SCRA, 1956 albeit ensuring compliance with principles of natural justice which has been ensured in the present case.

26. I note that, Advocates representing Noticee no. 11 have also raised a preliminary objection in respect of inspection of documents, which was granted to them on January 12, 2021 and January 13, 2021. It is their case that, SEBI has refused to provide certain documents, which have been relied upon by SEBI to arrive at the allegations and charges in the SCN. A table containing the list of such documents and my observations on the request of inspection of such documents, is as under:

Sr. No.	**Documents claimed to have 'not been provided' by Noticee no. 11**	**Observations.**
1.	The Investigation Report	The extract of the Investigation Report, constituting the allegations against the Noticee has already been reproduced in the SCN and the relevant supporting documentary evidence have also been made as Annexure to the SCN.
2.	Letters addressed by various entities and submissions made by them at their personal hearing, on the basis of which SEBI passed the Confirmatory Order	The documents sought are beyond the scope of these proceedings as they relate to the proceedings at the Confirmatory Order stage. I note that, subsequent to the Confirmatory Order, SEBI conducted detailed investigation and issued the SCN. The SCN nowhere relies on the submissions made by the entities at the Confirmatory Order stage. Moreover, the submissions made by various entities during the Confirmatory Order stage are already recorded in the Confirmatory Order, which is available in public domain.
3.	Bank Statements of all the entities mentioned from Sr. no. 1 to 22 in Table 6 of SCN.	These documents contain the confidential details of the financial/ commercial transactions pertaining to the business of around 22 entities, which may jeopardize the commercial interest of these entities. Details of transactions, as deciphered from the said bank statements, on the basis of which allegations have been made in the SCN, are already mentioned in the SCN at para 8. Hence, the request for the said documents is not tenable.
4.	Statements of all individuals, including statements of the loan approval committee/ Risk Management Committee / Credit Committee/ RPT Sub-Committee / employees of REL/RFL recorded by	On the basis of material available on record, I find that, no statement has been recorded/ relied upon by SEBI, in the instant matter.

	SEBI, during the course of investigation.	
5.	Calendar of Evidence (Documentary) consisting of soft copies of emails / communications/ bank statements and certain supporting documents in CD, being Enclosure (e) of the FAR.	These documents were Annexure to the FAR. The Inspection of Annexure to FAR was provided to the authorized representatives of the Noticee on January 12 and 13, 2021. This is evident from the 'Record of Proceedings of Inspection of Documents' which was signed by the authorized representative of the Noticee. I note that while singing the said report, the authorized representative of Noticee no. 11 have made specific remark about the documents that have not been provided for inspection. On perusal of this remark, I do not find mention of any of these documents.
6.	Minutes of REL's Audit Committee during the FY's 2014-15 to 2017-18, wherein it was observed that the Audit Committee took periodic note of the standalone as well as the consolidated financials of REL.	I note that, while levelling allegations against Noticee no. 10, who was a member of REL's Audit Committee, the SCN at para 14(d), has made a reference to the minutes of REL's Audit Committee. However, Noticee no. 11 was not a member of the REL's Audit Committee, thus, no reliance is being sought on these minutes qua Noticee no. 11. Further, I note that the minutes of the Audit Committee meetings were not part of the Annexures to the SCN, hence, the same could not be provided to the Noticee no. 11, However, I find that the veracity of the claim that "the Audit Committee took periodic note of the standalone as well as the consolidated financials of REL", could also be corroborated from the 'Corporate Governance Report' forming part of the Annual Report of REL for the FY 2014-15 to 2017-18, which is available in public domain.

27. Therefore, I note that, the request for documents that are being sought by Noticee no. 11 is not tenable for the aforesaid reasons. Further. I find that, no prejudice has been caused to Noticee no. 11, such that, it would have hindered in the preparation of effective defence for this case.

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

Sr. No.	RBI Letter Dated	Relevant Observations by RBI

1	May 3,2013	**6.** The Company had extended ICDs to group (43%)/non-group companies even in cases which were not backed by strong financials. ICDs had become long term assets as repayment was not demanded at maturity and facilities were renewed by rolling over the principal amount outstanding, which amounted to ever greening of accounts. Four such accounts with outstanding at Rs.32.15 crore were required to be classified as NPAs. Total amount of ICDs rolled over/ renewed during the year was Rs.834.35 crore. Further, there was frequent transfer of funds between these group entities and the Company and the accounts continued to be operated as current accounts as pointed out in the previous inspection, with multiple debit and credit entries on the same day. It did not reflect well on the arms length relationship/ corporate governance.
2	April 29,2014	**8**. The Company had a portfolio of Rs.1827.26 crore under the Corporate Loan Book (CLB) with 35 borrowal accounts as on March 31, 2013. The Corporate Loan Book was in the nature of inter-corporate deposits, with mostly related parties figuring in the list. A detailed examination of the CLB portfolio revealed certain aspects, which, were not in line with the extant corporate governance principles. All these 35 borrower companies could be grouped into 5-6 sub-groups with crossholdings in each other. Some of these accounts had complex and unnatural pattern of movement of funds. Detailed analysis of the bank account statements of some of these accounts (only few were made available by the Company despite persistent follow up) indicated layering of transactions which remained unexplained by the Company. As per the bank account statements, the loan amounts disbursed to these companies were further transferred to another group company account akin to almost circular movement of funds. The Company had not established any structured mechanism for end use monitoring of funds in these accounts. The Company had also violated RBI directions and terms of issuance of CoR by not providing the desired information with regard to all these accounts. **9**. Despite having a competent and highly qualified Top Management, its ability to .oversee the professional functioning of the Company and general quality of Corporate Governance was not considered satisfactory by the Inspection, as exercise of undue influence of the promoter group was reflected, particularly, in the conduct of its CLB. **13.** The Company did not have a uniform NPA recognition norm for its asset portfolio. It had followed a 90+ DPD only for SME—LAP portfolio, whereas, for others it was 180+. Corporate Loan Book (CLB) Policy did not indicate NPA recognition norms at all. Such selective treatment was rather indicative of weaknesses in other portfolios including CLB. As per the provisioning policy, the Company had proposed to move to recognition of NPA to more than 90 days past due (DPD) by 1st April, 2015.
3	March 8,2016	**V.** It was mentioned in the Corporate Loan Policy of the company that Memorandum of Understanding and track record of loan servicing by the borrower were essential requirements for sanctioning of loan. A sample check of corporate loans revealed that formal loan application was not obtained by the company and loans were sanctioned on the basis of MoU only. Profitability and repayment capacity/net worth of the borrowers was also not checked as financials were not analysed in many cases.

		Additionally, total group exposure and outstanding exposure of the borrower in some other portfolio was not being mentioned in the sanction notes while taking approval from Credit Committees. Even where these were obtained and analysed, the loans were sanctioned to companies having cash losses and negative net worth (Torus Buildcon Pvt. Ltd., Saubhagya Buildcon Pvt. Ltd., Tiger Developers Pvt. Ltd. etc.). The loans were sanctioned to multiple companies within same group ignoring the cross-holding and common Directors within the companies to whom the loans were sanctioned. Thus, the corporate loan policy was not being followed by the sanctioning authority. **VI.** The Corporate Loan Policy, which formed the basis of CLB portfolio of Rs. 1156 crore did not specify the criteria for lending i.e. financial status of the borrower. Any loan being sanctioned by the company should be based on the purpose of the loan and repayment capacity of the borrower. The Loan Policy was deficient to as it did not mandate calling of financial details of borrowers to ascertain their eligibility / repayment for loan thus making the loan sanction highly subjective. Such policies also reflect on the lack of corporate governance in the vital segment of company's business. his was also observed in last inspection and no improvement is seen. **VII.** The credit policies specified only an undertaking to be obtained from the borrowers on use of funds for the intended purpose. There was no mechanism specified to ensure the same through the post disbursal visits etc. leaving the scope for misuse of funds. **VIII.** The company had exposure of Rs.1156 crore under Corporate Loan Book which was unsecured and sanctioned only on the basis of vintage relationship without taking into account the financial fundamentals of the borrower. This also showed the influence of promoters on the functioning of company and therefore not in line with corporate governance, principles, as was pointed out in last inspection during which the company was advised to reduce this book. Though the company has taken some initiative in this direction by reducing this portfolio from Rs.1827 crore as on March 31, 2013 to Rs.1416 crore as on March 31, 2014 and further to Rs.1156 crore as on March 31, 2015,'yet this portfolio needs to be managed professionally to ensure adherence to prudent lending practice. This was also observed in last inspection and no improvement is seen. XIII. It was observed in the portfolio of loans against property that the loans were sanctioned without ensuring financial soundness of borrower companies viz.,certain companies had negative net worth in the last three years, i.e. 2011-13 (Hillgrow Infrastructure Private Limited Rs.(—)1.76 lakh, Addon Realty Private Limited Rs.(-)27.91 lakh, Modland wears Pvt. Ltd. Rs.(-) 2208.96 lakh as on March 31, 2013) due to losses. The loans were approved with deviations such as higher LW (Addon Realty Private Limited, Hillgrow Infrastructure Private Limited), legal opinion waiver (Midland Wears Pvt. Ltd.), etc.
5	January 27, 2017	**1.** Please refer to our inspection observations and special scrutiny of the company undertaken in respect of CLB portfolio. In this regard, our concerns are as under: **a)** On analyzing the shareholding pattern of the top borrowers under CLB portfolio (details as per Annex I), it had been observed that

		they were related entities. Preliminary scrutiny of the data provided by the banks, in which the borrowers maintained accounts and where loan proceeds were credited, also revealed that there were interlinkages between the borrowers as the funds were routed from one borrower to another in various instances. **b)** On analysis of the data of 51 transactions pertaining to disbursement of loan amounts to these borrowers, where the details were provided by HDFC Bank and Axis Bank, it was seen that in 21 cases (Annex II & III), funds disbursed to 9 borrowers ultimately came back to the .group companies of RFL, viz. Ranchem Pvt. Ltd., ANR Securities Pvt. Ltd. and Religare Comtrade Ltd., on the same dates. **c)** Accounts of various other borrowers were used by the company to route funds to the group companies. **d)** The credit appraisal notes in -most of these accounts indicated that the borrower companies were having weak financial standing with no revenue from operations, negative PAT, cash losses, accumulated losses and a negative net worth. However, approval for deviations was sought due to good repayment track record and vintage relationship with clients. **e)** It emerged from the discussions with the company's officials that these loans were given on recommendation of promoters as the owners of the borrowing entities had good relations with the promoters. The credit approvals in few of these loan accounts explicitly mentioned that these loans are granted on the basis of recommendation of the promoters. **f)** Majority of the loans in this portfolio were unsecured. **g**) No documentation, except a loan agreement / MoU entered into between RFL and other corporate, including analysis of the financial statements of borrowers, MoA and AoA was taken. **h**) The company was not aware of the end use of these funds. **2)** The above instances indicate improper practices being followed by the company and its promoters in sanctioning the loans and reflect poorly on the corporate governance structure of the company. Therefore, the company is advised to submit a clear roadmap by February 10, 2017 with a month wise plan for liquidating its CLB portfolio.
4	December 18, 2017	**X**. The company had no system of verification of end-use of funds after sanction of loan especially in the case of loans to corporates. **XI**. The company had taken Post Dated Cheques (PDC) from the borrowers for repayment of instalments (viz. Vitoba Realtors Pvt. Ltd., Mount Carmel Education Society, Sahitya Sadawart Samiti, St. Mary's Educational Society) in contravention it to the provisions of para 22 of RBI circular DNBR (PD) CC. No. 056 / 03.10:119 12015-16 dated July 01, 2015 as per which, all NBFCs were advised not to accept fresh / additional PDC / Equated Monthly Instalments (EMI) cheques (either in old format or new CTS-2010 format) in locations where the facility of ECS / RECS (Debit) was available.

		XIII. The company had not adhered to the asset classification and provisioning norms. It had not classified Strategic Credit Capital Private Limited, Perpetual Capital Servicing Pvt. Ltd. and Nishu Finlease Pvt. Ltd. as Loss assets. The company had not correctly classified the assets related to four fraud cases, viz. Naveen Malhotra, Ashish Gupta, Sanjeev Gupta and Rajendra Kumar Jain as Loss Assets. **XVIII.** The company had sanctioned unsecured corporate loans on the basis of Memorandum of Understanding (MoU) and without obtaining formal loan application. Profitability and repayment capacity / net worth of the borrowers was not analysed as part of credit appraisal in most of the cases. Loans were sanctioned to the companies having cash losses and negative net worth (Torus Buildcon Pvt. Ltd., Saubhagya Buildcon Pvt Ltd.. Tiger Developers Pvt. Ltd.). Corporate loan book portfolio of the company increased from 1,155.96 crore as on March 31, 2015 to Rs.1,840.43 crore as on March 31, 2016. However, corporate loan book portfolio decreased to - 1,696.08 as on March 31, 2017. RBI vide its letter DNBS.ND.No.1771/NDL SI/05.18.135/2016-17 dated January 27, 2017 had advised the company to submit a clear roadmap by February 10, 2017 with a month wise plan for liquidating its Corporate Loan Book (CLB) portfolio. The company vide its letter dated February 20, 2017 had submitted to RBI that the amounts • outstanding under CLB portfolio of the company would be completely repaid by February 2018-. Further, the company assured the Bank that during the first quarter of financial year 2017-18, it would be able to reduce the CLB portfolio by atleast Rs.100 cr

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

30. I note that, none of the Noticees have disputed the findings of the investigation as mentioned in Para 8 of the SCN and reproduced at Para 7.4 of this order. Rather, Noticee no. 10 and 11 have contended that they cannot be held responsible for the subsequent misutilization of the funds, by the borrowing entities. They have portrayed themselves as the victims, and not the perpetrators of the fraud.

31. I note that Notice no.10 was the Whole Time Director/ Executive Director in REL from July 13, 2006 to Sept. 6, 2017. During this tenure, he was designated as Chief Executive Officer and Managing Director of REL from April 9, 2007 to April 5, 2010 and re-designated as Chairman and Managing Director of REL w.e.f. April 6, 2010. He continued to function as CMD of REL upto July 28, 2016, thereafter, he was re-

designated as Executive Director and CEO of REL from July 29, 2016 to October 21, 2016. He stepped down as CEO of REL on October 21, 2016 and continued to be the Whole Time Executive Director in REL upto September 6, 2017, on which date he resigned from all positions in REL. I also note that Noticee no. 10 was a member of the Audit Committee of REL from FY 2010-2011 to FY 2016-17. I also note that he was the Chairman of the RPT Sub-committee of REL (whose mandate was to vet the CLB loan proposals of RFL, even before they were put-up for approval before the relevant Credit Committee of RFL) from February 22, 2016 to October 17, 2016. In view of the positions held by him, I find that Noticee no. 10 was at the helm of the affairs at REL and owing to the same, he had an overarching control over the affairs of RFL as well. I note that Noticee no. 10 has contended that he had no control over the loans being sanctioned by the relevant Committee of RFL. It is his case that RFL was functioning as a separate entity, with its own independent professional management and board of directors, without the involvement of the officials of REL in its day to day affairs. However, I find that Noticee no. 10 had a befitting involvement in the affairs of RFL, as is evident from the following instances. He was always invited as a 'Special Invitee' in the meetings of the board of directors of RFL, and he even attended almost all the meetings of the board of RFL, during the period from January 2014 to September 2016. All emails that were sent to the members of the relevant Committee of RFL for seeking approval of CLB loan proposals, were also sent to Noticee no. 10. It is his case that these emails were marked to him only for 'information purposes', however, if that were the case then why would he be addressed in the 'To' field instead of being marked in the 'CC' field of these emails. Noticee no. 10's involvement in the affairs of RFL is also evident from the letter dated July 12, 2016, which was addressed to RBI, making certain commitments to reduce the CLB portfolio of RFL. Surprisingly, even though, the subject-matter of the said letter was exclusively concerning the affairs of RFL, but yet, Noticee no. 10, as the CMD of REL, along with representative of RFL, had jointly signed the commitment letter to RBI. Further, it is noted that Noticee no. 10 was the Chairman of the RPT Sub-committee of REL from February 2016 to October 2016. which was mandated to pre-approve the CLB loan proposals of RFL. Thus, I find that, the involvement of Noticee no. 10, in the process of approval of CLB loans to promoter connected borrower entities, was knee deep.

32. For certain loans, more specifically to the entities mentioned at Sr. Nos. 5, 8, 10, 14, 15, 16, 17, 18, 19 and 22 of Table 6, above, Noticee no. 10 has contended that, he cannot be held liable for the approval of these loans, since the same were approved during the period from October 2016 to September 2017 i.e. during the tenure when he was only the Whole Time Director of REL and was not part of any committee (either of REL or that of RFL) that was responsible for the approval of these loans. I note that such a contention of Noticee no. 10 cannot be accepted because even while not holding any KMP position in REL, as the whole time executive director of REL, the Noticee was regularly kept updated, (through the board process) about the progress of Corporate Loan Book of RFL, during the discussion on the minutes of the board meetings of RFL (that are routinely placed before the board of REL in compliance with the provision of 24(3) of SEBI (LODR) Regulations, 2015), and also through the discussion on 'statement of significant transactions and arrangements entered into by RFL' (that are routinely placed before the board of REL in compliance with the provision of 24(4) of SEBI (LODR) Regulations, 2015). I also note that the progress of CLB Loans of RFL was also routinely discussed as an agenda item in the board meetings of REL. Notwithstanding the aforesaid, it is matter of record that the RBI's regular adverse remarks on the CLB portfolio of RFL were a matter of concern and Noticee no. 10 himself, while acting as the CMD of REL had made a written commitment to RBI in July 2016 to reduce the CLB portfolio. So the case of the Noticee that merely because he demitted the office of the CEO of REL, he came to be so dis-associated with the workings of REL that he had no role/ control over CLB portfolio of RFL, is unpalatable. I note that, Noticee no. 10's claim that he stopped attending the office of REL subsequent to his resignation as the CEO of REL, also stand unsubstantiated. It is his case that after demitting the office as CEO of REL, he did not attend any board meetings of REL. I note that while this may be true, but merely because Noticee no. 10 did not attend the board meetings in the FY 2017-18 or only two board meetings in FY 2016-17, does not exonerate him from his liability as a member of the board and a whole time director of the Company. I note that Noticee no. 10 continued to be the full time executive director of REL during the period from October 21, 2016 to September 6, 2017. As a member of the board of directors of REL, he was regularly kept informed and updated about the functioning

of the board of directors and its various committees. The Agenda (with Notes thereto) of the meeting of the board of directors and the minutes of the meetings of the board of directors were regularly shared with him, in accordance with Secretarial Standards -1. He had every occasion to raise concern/ objections on the proposed Agenda items or express his comments on items of business transacted at the board meeting when minutes of the meeting were circulated to him. He was also kept updated about the working of the subsidiaries through minutes of the board meeting of REL. Further, from the minutes of the meeting of the board of REL, I find that many items of the business of the board were passed by REL through 'Circular Resolution' and apart from regular board meetings, REL also used to conduct 'Board Calls'. In view of the above, I find that the contention raised by Noticee no. 10 that he had not attended any board meeting of REL since October 2016, does not hold water, since, being a member of the board, he was always kept updated about the functioning of the board and he had every right and opportunity to raise his concerns/ objections or make comments on the business being transacted in the board meeting. It is also pertinent to mention that, apart from the board process, he was the Whole Time Executive Director of REL during the period from October 2016 to September 2017. Thus, from the conduct of Noticee no. 10, I find that Noticee no. 10 conveniently chose to turn a blind eye and remain silent on the precarious position of RFL. It is a matter of record that, instead of a decrease in the CLB portfolio of RFL, the same had increased by the second quarter of FY 2017-18. I find that, Noticee no. 10 was completely aware of this contrariety, as he was the one who, alongwith Noticee no.12, had committed to RBI, to reduce the CLB portfolio of RFL in July 2016. The apparent convenient 'silent spectator' approach adopted by Noticee no. 10 on the continued unbridled disbursal of loans/ICD's in the CLB portfolio of RFL, during the period from October 2016 to September 2017, to the promoter connected entities, despite strong and repeated observations of RBI in January 2017, shows involvement of Noticee no. 10 in the furtherance of this fraud. To remain silent, when there was duty to speak, tantamount to commission by omission.

33. I note that Noticee no. 10 has contended that SEBI has not been able to prove that there was any illegality in the loans being granted by RFL and hence, he cannot be held responsible for granting such loans which otherwise were legally granted.

I note that the SCN does not question the legality/illegality of the loans being granted, rather it reveals the scheme of diversion of funds being perpetrated by the Erstwhile Promoters (alongwith the connivance of some key functionaries at REL and RFL) to the tune of Rs. 2473.66 Crores out of RFL (a material subsidiary of a listed company), in the garb of Corporate Loans, for the ultimate benefit of the entities controlled by the Erstwhile Promoters. It is the case of the SCN that despite repeated adverse observations of RBI and despite poor financials of the borrowing entities, the functionaries at REL and RFL, turned a deliberate blind eye and continued to the unbridled sanction the loans to these borrower entities only on the pretext that the 'entities were known to the promoters'. The SCN alleges that these functionaries of REL/RFL, including Noticee no. 10, deliberately ignored their fiduciary responsibility towards the listed entity and its shareholders and connived with the Erstwhile Promoters in facilitating the diversion of funds, by sanctioning and approving loans to entities which were not even worthy of such lending, only to help the Erstwhile Promoters.

34. During the FY 2015-16 and FY 2016-17, the RPT Sub-Committee of REL had approved the following CLB loans. It is pertinent to note that Noticee no. 10 was the Chairman of the RPT Sub-Committee during this period:

Sr. No.	**Date**	**Borrower**	**Approved Amount**
1	February 24, 2016	Tripoli Investment & Trading Company	150 Crores
2	February 24, 2016	Volga Management and Consultancy Pvt. Ltd.	100 Crores
3	February 24, 2016	Artifice Properties Pvt. Ltd.	100 Crores
4	February 24, 2016	Ad Advertising Pvt. Ltd.	100 Crores
5	February 24, 2016	Torus Buildcon Pvt. Ltd.	125 Crores
6	February 24, 2016	Best Health Management Pvt. Ltd.	25 Crores
7	August 31, 2016	Zolton Properties Pvt. Ltd.	165 Crores
8	August 31, 2016	Artifice Properties Pvt. Ltd.	165 Crores
9	August 31, 2016	Modland Wears Pvt. Ltd.	165 Crores
		Total	**1095 Crores**

35. From the copy of the minutes of the RPT sub-committee and the proposal notes, I find that Noticee no. 10 as Chairman of the RPT Sub-committee of REL has approved the aforesaid nine loans. Noticee no. 10 has conveniently argued that he approved the aforesaid loans only after they were approved by the other committee members of the RPT Sub-committee. He has sought refuge under the pretext that since the other committee members could not find any fault in the loan proposals

then how could he was more competent in doing the same. I note that such lackadaisical attitude of Noticee no. 10 was not merely a matter of chance but deliberate. This is evident from the following.

36. RBI had specifically raised concerns, in its letter dated March 6, 2016, in respect of LAP loans to Modland Wears Pvt. Ltd., which had negative networth in the three years 2011-13. Despite this warning by RBI, Noticee no. 10, as part of the RPT Sub-committee gave its nod to the CLB loan to Modland Wears Pvt. Ltd. for Rs. 165 Crores. Even in the two financial years prior to the sanction of CLB loan of 165 Crores to Modland Wears Pvt. Ltd., the entity had negative networth of -498.22 Crores in FY 2014-15 and -623.54 Crores in FY 2015-16. In another instance, the RBI letter dated March 6, 2016 had also specifically raised adverse remarks about the practice of RFL to grant loans to companies having cash losses and negative networth. The said letter had mentioned the name of Torus Buildcon Pvt. Ltd., as an example. Despite these adverse remarks by RBI, the RPT Sub-committee is seen to have approved a further loan of Rs. 125 Crores to Torus Buildcon Pvt. Ltd. I find that all the remaining borrowers in the above Table also had negative profits / negligible profits and negative net worth in the previous financial years before the sanction of these loans. But Noticee no.10, as the Chairman of the RPT Sub-committee is seen to have valiantly approved these loans, without any remorse/ concern. This lays bare, the intentions of Noticee no. 10. I also find that all the Borrowers mentioned in the above Table also had cross-holding amongst themselves and with other borrowers of RFL mentioned at Table 6. This shows that loans were sanctioned to multiple companies within same group while ignoring cross-holding within the companies to which loans were sanctioned. I note that this observation was also made by RBI in its letter dated March 6, 2016, but Noticee no. 10 seems to have conveniently turned a blind eye to it.

37. In view of the above, I find that Noticee no. 10, deliberately chose to ignore all the red flags and conveniently chose to proceed with the approval of CLB loans to the borrowing entities, who otherwise would not have been eligible to receive loans of such high value, given their poor financial positions. Therefore, I find that the involvement of Noticee no. 10, in the facilitation of this fraud by the Erstwhile Promoters of REL, is writ large.

38. Noticee no. 11 has submitted that, he joined REL on August 1, 2001 as Vice President, Back Office. He was later promoted as the Group CFO of REL in 2010 and Executive Director of REL from April 6, 2010. He demitted the position of Executive Director of REL on January 24, 2013 and continued to be the Group CFO of REL until November 14, 2017. I note that Noticee no. 11 was also the Managing Director of RFL from April 6, 2010 till November 14, 2011. He continued as the non-executive director of RFL from November 14, 2011 till his resignation on November 14, 2017. I also note that Noticee no. 11 was the member of the Audit Committee of RFL from FY 2011-12 to FY 2016-17 (upto October 26, 2016). In view of the above, I find that, Noticee no. 11 has held various key positions in REL and RFL and he was at the helm of affairs at both these companies. Noticee no. 11 has argued that, as part of being a member of the Loan Approval Committee, he was involved in the approval of only six loans, out of the 22 loans mentioned at Table 6 of the SCN. He has sought to draw my attention to the fact that he was a non-executive director on the board of RFL and had no role to play in the day to day management of RFL, let alone in the sanctioning of the remaining 16 loans, out of the 22 loans that are alleged to be sanctioned for the promoter connected entities. I find the claims of Noticee no. 11 to be extremely hollow and bereft of merit for the following reasons.

39. Noticee no. 11 was regularly kept updated, (through the board process) about the progress of Corporate Loan Book of RFL, during the discussions on the minutes of the Loan Approval Committee/ Credit Committee (that were routinely placed before the board of RFL. Notwithstanding the aforesaid, it is matter of record that the RBi's regular adverse remarks on the CLB portfolio of RFL were a matter of concern and RFL, had made a written commitment to RBI in July 2016 to reduce the CLB portfolio. So the case of the Noticee that he cannot be held liable for the loans that were not approved by him, is unpalatable. I note that, Noticee no. 11 was still the non-executive director of RFL and the full time Group CFO of REL. I also note that Noticee no. 11 conveniently chose to turn a blind eye and remain silent on the precarious position of RFL. It is a matter of record that, instead of a decrease in the CLB portfolio of RFL, the same had increased by the second quarter of FY 2017-18. I find that, Noticee no. 11 was completely aware of this

contrariety, as he was regularly updated (through the board meetings of RFL and REL) about the progress of inspection by RBI and post-inspection follow-ups with RBI. The apparent convenient 'silent spectator' approach adopted by Noticee no. 11 on the continued unbridled disbursal of loans/ICD's in the CLB portfolio of RFL, during the period from February 2016 to November 2017, to the promoter connected entities, despite strong and repeated observations of RBI in March 2016 and January 2017, shows involvement of Noticee no. 11 in the furtherance of this fraud. To remain silent, when there was duty to speak, tantamount to commission by omission.

40. During the FY 2015-16 and FY 2016-17, the Loan Approval Committee/ Credit Committee of RFL had approved the following CLB loans. It is pertinent to note that Noticee no. 11 was the member of the Loan Approval Committee during this period:

Sr. No.	**Date**	**Borrower**	**Approved Amount**
1	February 10, 2016	Rosestar Marketing Pvt. Ltd.	150 Crores
2	February 10, 2016	Tripoli Investment & Trading Company	150 Crores
3	February 10, 2016	Volga Management and Consultancy Pvt. Ltd.	100 Crores
4	March 23, 2016	Vitoba Realtors Pvt. Ltd.	35 Crores
5	March 23, 2016	Devera Developers Pvt. Ltd.	40 Crores
6	March 23, 2016	Best Health Management Pvt. Ltd.	40 Crores
7	September 1, 2016	Zolton Properties Pvt. Ltd.	165 Crores
8	September 1, 2016	Artifice Properties Pvt. Ltd.	165 Crores
9	September 1, 2016	Modland Wears Pvt. Ltd.	165 Crores
		Total	**1010 Crores**

41. From the copy of the minutes of the loan approval committee and the proposal notes, I find that Noticee no. 11 as member of the Loan approval committee has approved the aforesaid nine loans, whereas the Noticee himself claims he has approved only six of the aforesaid loans. I note that the claims of Noticee no. 11 are factually incorrect. From the copy of the minutes of the approval committee and the proposal notes, I find that the loans in respect of entities at Sr. No. 1, 2 and 3 in the above Table i.e. Rosestar Marketing Pvt. Ltd., Tripoli Investment & Trading Company, and Volga Management and Consultancy Pvt. Ltd., were also approved by Noticee no. 11 as part of the Loan Approval Committee,

42. Noticee no. 11 has conveniently argued that he approved the aforesaid loans only after they were approved by the RPT Sub-committee of REL. He has also sought refuge under the pretext that since the other committee members could not find any fault in the loan proposals then how could he in a more competent in doing the same. I note that such lackadaisical attitude of Noticee no. 11 was not merely a matter of chance but deliberate. This is evident from the following.

43. RBI had specifically raised concerns, in its letter dated March 6, 2016, in respect of LAP loans to Modland Wears Pvt. Ltd., which had negative networth in the three years 2011-13. Despite this warning by RBI, Noticee no. 11, as part of the Loan Approval Committee gave its nod to the CLB loan to Modland Wears Pvt. Ltd. for Rs. 165 Crores. Even in the two financial years prior to the sanction of CLB loan of 165 Crores to Modland Wears Pvt. Ltd., the entity had negative networth of -498.22 Crores in FY 2014-15 and -623.54 Crores in FY 2015-16. I find that all the remaining borrowers in the above Table also had negative profits / negligible profits and negative net worth in the previous financial years before the sanction of these loans. But Noticee no.11, as member of the Loan Approval Committee/Credit Committee is seen to have valiantly approved these loans, without any remorse/ concern. The approvals were granted without any discussion by merely writing 'OK' in reply to emails seeking approval for loan proposals. This lays bare, the intentions of Noticee no. 11, I also find that the Borrowers mentioned in the above Table also had cross-holding amongst themselves and with other borrowers of RFL mentioned at Table 6. This shows that loans were sanctioned to multiple companies within same group while ignoring cross-holding within the companies to which loans were sanctioned. I note that this observation was also made by RBI in its letter dated March 6, 2016, but Noticee no. 11 seems to have conveniently turned a blind eye to it.

44. In view of the above, I find that Noticee no. 11, deliberately chose to ignore all the red flags and conveniently chose to proceed with the approval of CLB loans to the borrowing entities, who otherwise would not have been eligible to receive loans of such high value, given their poor financial positions. Therefore, I find that the involvement of Noticee no. 11, in the facilitation of the diversion of funds by the Erstwhile Promoters of REL, is writ large.

45. I note that Noticee no. 6 was the non-executive director and Chairman of REL from July 29, 2016 to November 14, 2017. He stepped down from the position of Chairman of REL from November 14, 2017 and continued as the non-executive director in REL till February 14, 2018. I also note that Noticee no. 6 was the promoter of REL. I note that, SEBI investigation has revealed that maximum number of funds that were diverted out of RFL, were during his tenure in REL. I also note that Noticee no. 6 is the absolute owner and person in control of Noticee no. 4. Noticee no. 4 holds 49.84% shareholding in RHC Holding. SEBI investigation has also revealed, and the findings of which have not been denied by Noticee no. 6, that funds to the tune of Rs. 2473.66 Crores (approx.) in aggregate were diverted from RFL, a material subsidiary of REL, for the benefit of Noticee no. 1, 3 and 8 (through intermediate entities) which never came back to RFL. I note that Noticee no. 1 (RHC Holding) is a privately held company, which was owned throughout the Investigation Period in equal proportion by Noticee no. 6 and 7 through their companies Noticee no. 4 and 5. Noticee no. 4 and 5 are 99% held by Noticee no. 6 and 7, respectively, who are real brothers. Further, in the Annual Reports of RHC Holdings during the Investigation Period, Noticee no. 6 along with Noticee no. 7, were disclosed to be in control over RHC Holdings. I also note that Noticee no. 6 and his wife and Noticee no. 7 and his wife, were the only directors on the board of RHC Holdings, throughout the Investigation Period. Noticee no. 3 and 8 are wholly owned subsidiaries of RHC Holdings. Thus, I find that RFL, a material subsidiary of REL, was used as a shadow bank by Noticee no. 6 to borrow money as and when it was required for the benefit of the Erstwhile Promoter controlled entities (i.e. Noticee no. 1, 3 and 8). In view of the above, I find that effectively Noticee no. 6 is also one of the primary beneficiaries of the funds diverted from RFL, hence, he cannot escape responsibility for the said diversion of funds (which was done in the garb of giving loans/ICD's) wherein the origin as well the beneficiary of such funds were companies held majoritly and controlled by him alongwith Noticee no. 7.

46. I note that Noticee no. 7 was the non-executive director and Vice Chairman of REL from July 29, 2016 to February 14, 2018. I also note that Noticee no. 7 was the promoter of REL. I note that, SEBI investigation has revealed that maximum

number of funds that were diverted out of RFL, were during his tenure in REL. I also note that Noticee no. 7 is the absolute owner and person in control of Noticee no. 5. Noticee no. 5 holds 49.84% shareholding in RHC Holding. SEBI investigation has also revealed, and the findings of which have not been denied by Noticee no. 7, that funds to the tune of Rs. 2473.66 Crores (approx.) in aggregate were diverted from RFL, a material subsidiary of REL, for the benefit of Noticee no. 1, 3 and 8 (through intermediate entities) which never came back to RFL. I note that Noticee no. 1 (RHC Holding) is a privately held company, which was owned throughout the Investigation Period in equal proportion by Noticee no. 6 and 7 through their companies Noticee no. 4 and 5. Noticee no. 4 and 5 are 99% held by Noticee no. 6 and 7, respectively, who are real brothers. Further, in the Annual Reports of RHC Holdings during the Investigation Period, Noticee no. 7 along with Noticee no. 6, were disclosed to be in control over RHC Holdings. I also note that Noticee no. 6 and his wife and Noticee no. 7 and his wife, were the only directors on the board of RHC Holdings, throughout the Investigation Period. Noticee no. 3 and 8 are wholly owned subsidiaries of RHC Holdings. Thus, I find that RFL, a material subsidiary of REL, was used as a shadow bank by Noticee no. 7 to borrow money as and when it was required for the benefit of the Erstwhile Promoter controlled entities (i.e. Noticee no. 1, 3 and 8). In view of the above, I find that effectively Noticee no. 7 is also one of the primary beneficiaries of the funds diverted from RFL, hence, he cannot escape responsibility for the said diversion of funds (which was done in the garb of giving loans/ICD's) wherein the origin as well the beneficiary of such funds were companies held majoritly and controlled by him alongwith Noticee no. 6.

47. I note that Noticee no. 2 was the wholly owned subsidiary of Noticee no. 1. I also note that, investigation has found that, Noticee no. 2 was used as front entity by Noticee no. 1 to borrow money from debt/liquid mutual fund schemes. The repayment of the borrowed amount taken by Noticee no. 2 was ultimately done by RHC Holdings, using the diverted funds from RFL. Further, as observed from the details of diversion of funds mentioned at Table 9, I find that Noticee no. 3 and 8 .i.e. the wholly owned subsidiaries of Noticee no. 1, were also the ultimate beneficiary of diversion of funds of RFL, along with Noticee no. 1. Thus, I find that

Noticee no. 2, 3 and 8 are also liable for appropriate action for their role in the diversion of funds by the Erstwhile Promoters.

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

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

Aforesaid Regulation 4(1) to the PFUTP Regulations, 2003 puts complete prohibition on all manipulative, fraudulent or unfair trade practice relating to securities market. What constitutes 'unfair trade practices' and 'manipulative' is not defined in the PFUTP Regulations, 2003. However, it is not difficult to ascertain true meaning of these terms and consequent scope and ambit of Regulation 4(1), by reading the various terms defined in and the objective of, PFUTP Regulations, 2003, as a whole. In this context, Section 11(2)(e) of SEBI Act, 1992 which enumerates prohibiting fraudulent and unfair trade practice relating to securities market, as one of the functions of SEBI, may also be referred to. In discharge of said function SEBI had earlier framed SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (since repealed) which were later replaced by PFUTP Regulations, 2003. The Regulation 4(1) *inter alia* seeks to prohibit any act of diversion of assets of a listed company or its concealment or any scheme to manipulate the books of accounts or financial statements of such a company that would directly/ indirectly manipulate the price of securities of that company. What was earlier implicit has now been made explicit by adding 'Explanation' to Regulation 4(1) of PFUTP Regulations, 2003 w.e.f. October 19, 2020. I note that the aforesaid amendment, though introduced on October 19, 2020, does not make any substantive change in the ambit of Regulation 4(1). It merely makes explicit what was implicit. Act of large scale diversion of funds of the listed company or manipulation of financial

statements of the company, which leads to or which may lead to impacting the price of the scrip, directly or indirectly, thereby inducing the investors to deal in securities or to remain invested in the securities of that company, are undoubtedly a 'fraudulent and/or unfair trade practice relating to securities market', which are covered by the vigors of Regulation 4(1) since July 17, 2003 itself i.e. the date of coming into force of PFUTP Regulations, 2003. Thus, I note that the 'Explanation' added to Regulation 4(1) merely clarifies that certain acts such as diversion of funds / manipulation of books of accounts, shall always be deemed to have been considered as 'fraudulent and unfair trade practice relating to securities market'. I note that in the instant case, funds were diverted from a material subsidiary[2] of REL, in the garb of loans for the ultimate benefit of entities controlled by the Erstwhile Promoters. I note that the financial statements of RFL were consolidated with the financial statements of REL on quarterly basis. The diversion of funds was never disclosed to the shareholders of REL, which mislead them to remain invested in the shares of REL or deal in the securities of REL. Thus, the apparent diversion of funds (in the garb of loans), led to indirect manipulation of the price of shares of REL and thus, in terms of Regulation 4(1), such an act was fraudulent and an unfair trade practice relating to securities market. Therefore, I find that Noticee no. 1-8, 10 and 11, have violated Regulation 4(1) of PFUTP Regulations, 2003.

49. I note that the SCN has also alleged that some of the loans that were sanctioned by RFL under the CLB portfolio, were used to pay the interest or principal amount of an earlier loan given by RFL itself. Thus, the SCN states that, had these repayments not been made by the borrowing entities, they would have been classified as NPA and the financial statements of RFL and consequently the consolidated financial statements of REL, for the FY 2014-15 to 2017-18, would not have reflected a true and fair view. After perusing through the findings of the investigation, more specifically mentioned at para 7.4 above, I find that loans that were sanctioned by RFL, to the following entities, were essentially used to rollover

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

the funds of RFL for repayment of interest / principal amount of the earlier loan taken by other borrowers.

Sr. No.	Name of the Borrower Entity.	Amount used for repayment (Rs. In cr)	Repayment Month-Year
1	Artifice properties Private Limited	86	Sep-16
2	Fern healthcare Private Limited	18.27	Jun-17
3	Modland Wears Pvt. Ltd.	18.56	Sep-16
4	Gurudev financial services Pvt. Ltd.	56	May-17
5	Tara Alloys Ltd.	25	May-17
6	Sridham Distributors Pvt. Ltd.	66.4	Feb-17
7	Annies Apparel Pvt. Ltd.	75	Feb-17
	Total.	**343.25**	

50. In view of the above, I find that, loans sanctioned to the aforesaid seven entities by RFL were indeed partly used to repay interest / principal of earlier loans. Thus, I find that, had the earlier loans not been repaid, the same would have turned non-performing. I note that, RBI had in its letter dated January 27, 2017, warned about the following: *"Preliminary scrutiny of the data provided by the banks, in which the borrowers maintained accounts and where loan proceeds were credited, also revealed that there were interlinkages between the borrowers as the funds were routed from one borrower to another in various instances"* Further, from the Independent Auditor's Report for FY 2016-17 (as incorporated in the Annual Report of REL for FY 2016-17), I also find the qualified opinion being made by the Statutory Auditor of REL on the standalone financials of RFL, in the following words: *" ……(ii).The Company's Internal Financial Control System over financial reporting is not operating effectively in respect of corporate loan book segment due to weak credit appraisal and loan sanctioning mechanism."*. Thus, I find that ample warning was given by the Statutory Auditor as well as the RBI, that would have warranted a closer look at the 'classification' of the corporate loan book accounts as 'Standard' or 'Non-performing' by RFL. I find that because of the continued classification of the delinquent repaying loan accounts as 'Standard', the profits of RFL were overestimated by Rs. 343.25 Crores. Thus the financial statements of RFL and consolidated financial statements of REL were thereby misrepresented for the FY 2016-17.

51. From the minutes of the board meetings of REL, I find that Noticee no. 10, as the Whole Time Director of REL and Noticee no. 11 as the Group CFO of REL, failed to raise any concern /remark on the Consolidated Financial Statements for the FY 2016-17 that were approved in the board meeting dated June 29, 2017. From the minutes of the board meetings of RFL, I note that as the non-executive director of RFL, Noticee no. 11 has also approved the standalone financial statements of RFL, for the FY 2016-17, without raising any objection. Thus, I find that Noticee no. 10 and 11, deliberately failed in their fiduciary duties as the director / CFO of REL/RFL and thereby facilitated the diversion of funds to the entities controlled by Erstwhile Promoters. I also note that by issuing a false and misleading Certificate under Regulation17(8) of LODR Regulations for the FY 2016-17, I find that Noticee no. 11, has breached the mandate of proviso to Regulation 33(2)(a) of LODR Regulations, which provides that the Certificate issued by the CEO and CFO shall certify that, "the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.". Therefore, I find that Noticee no. 11 has violated the provision of Regulation 33(2)(a) of LODR Regulations.

52. Noticee no. 6 and 7 being Chairman and Vice-Chairman of the Board of directors of REL; and Noticee no. 10 being the WTD/MD of REL; deliberately failed to abide by the principles governing disclosures and obligations in the best interest of listed company and its shareholders. In view of above, it is found that Noticee no 6, 7 and 10 deliberately failed to discharge their duties in a manner which was required to achieve the objectives of the principles laid down in Regulation 4 of LODR Regulations. Thus, I find that, Noticee no. 6, 7 and 10, have violated the provisions of Regulation 4(2)(f)(ii)(6), 4(2)(f)(iii)(3) and 4(2)(f)(iii)(6) of LODR Regulations.

53. All the Noticees have been called upon as to why penalty under Sections 15HA of the SEBI Act, 1992 should not be imposed on them. As in the present case, violations of Section 12A(c) of SEBI Act, 1992 and provisions of Regulation 3(d) and 4(1) of PFUTP Regulations, 2003 have been made out against Noticee no. 1, 2, 3, 4, 5, 6, 7, 8, 10 and 11, therefore, penalty under Section 15HA of SEBI Act,

1992 is attracted against all these Noticees. Additionally, Noticee no. 6, 7, 10 and 11 have also been *inter alia* called upon as to why penalty under Section 15HB of SEBI Act, 1992 should not be imposed on them. Noticee no. 11 has been found to have violated the provision of Regulation 33(2)(a) of LODR Regulations and Noticee no. 6, 7 and 10, have been found to have violated provisions of Regulation 4(2)(f)(ii)(6), 4(2)(f)(iii)(3) and 4(2)(f)(iii)(6) of LODR Regulations. Therefore, I find that Noticee no. 6, 7, 10 and 11, are liable for imposition of penalty under Section 15HB of SEBI Act, 1992 which provides for penalty for failure to comply with any provision of SEBI Act, 1992 or the regulations framed thereunder, for which no separate penalty has been provided. Since, LODR Regulations, are framed under SEBI Act, 1992 also, and penalty provisions under SEBI Act, 1992 (i.e. 15A to 15HA) does not separately provide for any penalty for violation of LODR Regulations, therefore, for violation of LODR Regulations by Noticee no. 6, 7, 10 and 11, as found in this order, penalty under Section 15HB of SEBI Act, 1992 is attracted against it. . I note that Noticee no. 6, 7 and 10 have also been called upon as to why penalty under Section 23H of SCRA, 1956 should not be imposed on them. I note that penalty under Section 23H has been sought to be imposed in view of the violations of the Clauses of the erstwhile equity listing agreement alleged against these Noticees. I note that the provisions of the erstwhile listing agreement was mandatory in view of the provisions of the Sections 21 of SCRA which provided that any person on whose application securities of a company are listed, shall comply with the conditions of listing. In case such person violated any of the clauses of erstwhile equity listing agreement, it resulted into the violation of Section 21 of SCRA, 1956 for which penalty could be imposed under Section 23H of SCRA, 1956. In the present case, I note that the securities of REL were listed on the application of REL i.e. Noticee no. 9. Therefore, in terms of Section 21 of SCRA, 1956, Noticee no. 9 was mandated to comply with provisions of Section 21 of SCRA, 1956. The other Noticees i.e. 6, 7 and 10, against whom penalty under Section 23H has been proposed, cannot be visited with the penalty under this provision, because these Noticees cannot be held to be in violation of Section 21 of SCRA, 1956 as the securities of REL were not listed on the application of these Noticees and consequently, penalty under Section 23H of SCRA is not attracted against them.

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

> "**Factors to be taken into account while adjudging quantum of penalty.**
>
> **15J.** While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —
>
> (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
>
> (b) the amount of loss caused to an investor or group of investors as a result of the default;
>
> (c) the repetitive nature of the default.
>
> Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

55. Regarding the factors of Section 15J of SEBI Act, 1992, I note that SCN alleges that Rs. 2473.66 Crores of the material subsidiary of a listed company i.e. RFL were diverted (in the garb of loans) through various intermediate entities for the ultimate benefit of Noticee no. 1, 3 and 8. I note that vide the directions in the Interim Order and Confirmatory Order, Noticee no. 9 and 13 have already been directed to take all necessary steps to recover the amount alongwith due interest from Noticee no. 1, 4, 5, 6, 7, 8 and other entities more specifically mentioned therein. From the joint written submissions of Noticee no. 9 and 13, filed on August 25, 2021, I note that, they have instituted various Civil and Criminal proceedings for recovery of diverted funds, such as (i) Insolvency petitions against CLB borrowers at NCLT, New Delhi; (ii) Complaint with EOW against Erstwhile Promoters & ors. for siphoning funds through CLB loans (FIR no. 50/2019); (iii) Complaint with MCA diary no. 1657 OF 2018; (iv) Suit for permanent injunction against OSPL & ors. before Kolkata High Court; (v) Complaint against Erstwhile Promoters & ors. with Central Bureau of Investigation; (vi) Complaint with EOW against OSPL & ors. (FIR NO.64/20). Therefore, I find that steps for recovery of diverted amount, have already been put into motion. I also note that on February 14, 2018, the Erstwhile Promoters, who, by virtue of being the non-executive

Chairman (Noticee no. 6) and the Non-Executive Vice-Chairman (Noticee no. 7) of REL, were in control of REL, resigned from the Board of Directors of REL with immediate effect. Further, until June 2017, the Erstwhile Promoters held a majority shareholding in REL, however, by March 2018, the cumulative shareholding of the Erstwhile Promoters, had reduced to 3.08%. Noticee no. 6 and 7 have also been de-classified as 'promoters' of REL. I note that, series of acts, as alleged in the SCN, have resulted into violation of various provision of securities law, which attracts penalties under different provisions of SEBI Act, 1992 and SCRA, 1956. On a particular Noticee, the penalty has to be imposed cummulatively, having regard to all these violations together.

Directions and monetary penalties:

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

(i) The Noticee no. 6 and 7, are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market including as a director or Key Managerial Personnel in a listed company or an intermediary registered with SEBI of any Market Infrastructure Institution, for a period of three (03) years, from the date of coming into force of this order. The prohibition imposed herewith in respect of dealing in securities, shall not come in the way of facilitating the compliance of direction given in para 56 (v) below;

(ii) Noticee no. 6 and 7 shall continue to remain restrained from accessing the securities market and be prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market, for a period of three years, as directed in para 56(i) above, or till recovery of the money, as mentioned in para 56(v), whichever is later.

(iii) Noticee no. 1 to 8 shall not dispose of or alienate any of their assets or divert any funds except for facilitating the recovery as mentioned in para 56 (v) below.

(iv) The Noticee no. 1, 2, 3, 4, 5, 8, 10 and 11 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of two (02) years, from the date of coming into force of this order;

(v) Noticee no. 9 and 13 shall continue to pursue the measures, which have already been put into motion, to recover the amount due alongwith the interest;

(vi) The Noticee no. 1, 2, 3, 4, 5, 6, 7, 8, 10 and 11, are hereby imposed with, the penalties, as specified hereunder:

Noticee No.	**Name of Noticees**	**Provisions under which penalty imposed**	**Penalty Amount (In Rupees)**
Noticee no. 1	RHC Holding Private Limited	Section 15HA of the SEBI Act, 1992.	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 2	A-1 Book Company Private Limited	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 3	Religare Corporate Services Ltd (now Finserve Shared Services Pvt Ltd)	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 4	Malav Holdings Private Limited	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 5	Shivi Holdings Private Limited	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 6	Mr. Malvinder Mohan Singh	Section 15HA of SEBI Act, 1992 Section 15HB of SEBI Act, 1992	Rs.10,00,00,000/- (Ten Crore Only)
Noticee no. 7	Mr. Shivinder Mohan Singh	Section 15HA of SEBI Act, 1992 Section 15HB of SEBI Act, 1992	Rs.10,00,00,000/- (Ten Crore Only)

Noticee no. 8	ANR Securities Private Limited	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
Noticee no. 10	Mr. Sunil Godhwani	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
		Section 15HB of SCRA, 1956	
Noticee no. 11	Mr. Anil Saxena	Section 15HA of SEBI Act, 1992	Rs.5,00,00,000/- (Five Crore Only)
		Section 15HB of SCRA, 1956	

(vii) The said Noticees shall remit / pay the said amount of penalties within 45 days from the date of coming into force of this order. The said Noticees shall remit / pay the said amount of penalties through either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Division Chief, IVD-ID2, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in in the format as given in table below:

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

57. The obligation of the Noticees, restrained/ prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of

the recognized stock exchange(s), as existing on the date of coming into force of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order, in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

58. This Order comes into force with immediate effect.

59. This Order shall be served on all the Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

Sd/-

ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: July 28, 2022
Place: Mumbai