

**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

UNDER SECTION 12 (3) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Swaraj Shares and Securities Private Limited	INM000012980	AAGCS8286D

In the matter of Swaraj Shares and Securities Private Limited

A. BACKGROUND

1. The present matter emanates from post enquiry show cause notice (hereinafter referred to as the “**SCN**”) dated December 06, 2024 issued to **Swaraj Shares and Securities Pvt. Ltd. (“Company”/ “Noticee”)** under regulation 27(1) of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations**”). The Noticee is registered with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as a Merchant Banker (hereinafter referred to as “**MB**”) with SEBI registration no. INM000012980.
2. SEBI conducted inspection of the Noticee from March 5, 2024 to March 6, 2024 concerning various compliance requirements under provisions of SEBI (Merchant Banker) Regulations, 1992 (hereinafter referred to as “**Merchant Bankers**”).

Regulation”) and applicable SEBI Circulars. The inspection was conducted for the period beginning March 28, 2023 to January 31, 2024 (hereinafter referred to as **“inspection period”**). These findings/ observations of the inspection were communicated to the Noticee by SEBI vide letter dated March 18, 2024 and the Noticee submitted its response to the observations vide email dated March 23, 2024.

B. PROCEEDINGS BEFORE THE DESIGNATED AUTHORITY

3. Pursuant to findings/observations made in the course of the inspection and after examining the response of the Noticee to the same, SEBI initiated Enquiry proceedings under Chapter V of the Intermediaries Regulation against the Noticee by appointing a Designated Authority (hereinafter referred to as **“DA”**) in the matter on April 19, 2024 to enquire into the alleged violations by the Noticee and make recommendations in compliance with the Intermediaries Regulation.
4. The DA issued a show cause notice (hereinafter referred to as the **“pre- Enquiry SCN”**) dated May 09, 2024 to the Noticee under regulation 25 (1) of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it in terms of Regulation 26 of the Intermediaries Regulations for the alleged violations.
5. In response to the pre-enquiry SCN issued by the DA, the Noticee filed its reply vide letter dated September 22, 2024. On receipt of the said reply, an opportunity of personal hearing was granted to the Noticee on October 21, 2024, which was availed by the Noticee through its authorized representatives. Further, the Noticee filed additional submissions vide letter dated October 25, 2024. Thereafter, based on the allegations levelled against the Noticee in the pre-Enquiry SCN, replies filed by the Noticee, submission made during the personal hearing and the material available on record, the DA concluded the Enquiry Proceedings and submitted the Enquiry Report (**“Enquiry**

Report”) dated November 11, 2024 in terms of regulation 26 of the Intermediaries Regulations.

6. In the Enquiry Report, the DA has made the following observations:
 - i. The Noticee has failed to exercise proper due diligence in certain takeover transactions.
 - ii. The Noticee has failed to comply with provisions pertaining to investor grievances.
 - iii. There were discrepancies in the periodic reports submitted by the Noticee.
 - iv. The Noticee has failed to maintain specific Email ID for regulatory communications.
 - v. The Noticee has failed to comply with SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “PIT Regulations”).
 - vi. The Noticee has created false Records and submitted them to the Inspection team
 - vii. The Noticee has failed to intimate changes in positions of Director, KMP and Compliance Officer through SEBI Intermediaries Portal.
7. The DA concluded that except the allegations pertaining to Noticee’s failure to appoint Compliance Officer, violation of all the other provisions stood established. Accordingly, the DA recommended the following:

“In view of the violations stated above, it is observed that there is serious lack of due diligence on the part of the Noticee. Given the same and in order to protect the integrity of the securities market, it is recommended that the Noticee (SEBI Registration No. INM000012980) may be prohibited from taking new assignment as merchant banker for a period of one month.”

C. SHOW CAUSE NOTICE, REPLY AND HEARING

8. Pursuant to the submission of the Enquiry Report, SCN dated December 06, 2024 in the matter was issued to the Noticee. Vide the above-mentioned SCN, Noticee was called upon to show cause as to why action as recommended by the DA or any other

directions as deemed fit should not be issued/imposed on it in terms of Intermediaries' Regulations. The issued SCN enclosed therewith the Enquiry Report of the DA dated November 11, 2024 made with respect to the Noticee. Therefore, any reference in this Order to the allegations made in the SCN, must also be read to include the conclusions arrived at in the Enquiry Report.

9. In response to the SCN, the Noticee submitted its reply vide letter dated December 16, 2024. Thereafter, the Noticee was granted an opportunity of personal hearing on January 27, 2025. On the said date, the Authorized Representatives of Noticee reiterated their earlier submissions and requested further time to make additional submissions. The Noticee vide letter dated February 21, 2025 made additional submissions and requested for another personal hearing. The said request of the Noticee was acceded to and another opportunity of personal hearing was granted on April 11, 2025, which was availed of by the Noticee through its Authorized Representatives.
10. The contentions raised in the Noticee's written submissions and those made during the personal hearings are summarised below:

Submissions pertaining to takeover transactions

10.1. The Noticee has submitted that in takeover transactions it does not have any formal engagement with the promoter(s) and/or the target company(s). Therefore, the Noticee sources most of its information from publicly available sources like the stock exchanges and the capital build-up of the promoter is prepared by the Noticee based out of such publicly available sources.

10.2. The Noticee has contended that the disclosures in the Letter of Offer (**LOF**)/Draft Letter of Offer (**DLOF**) under Chapter V of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations") is required to be filed by the promoter(s) of the target company. Since it ensured that

the said disclosures have been verified and certified by one of the promoters (on behalf of others) of the Target Company, it has exercised proper due diligence.

10.3. With respect to takeover transaction of Sheetal Diamonds, the Noticee has submitted that:

i. For the Financial Years 2016 and 2017, the disclosures were verified by one of the promoters (on behalf of others) of the target company and it was specifically stated "*Disclosure is made as per data available on BSE. Whereas no Email acknowledgements available with the Target Company.*" Further, for the Financial Year of 2021, it was stated that, the target company had complied with the provision of Regulation 30 (2) of SEBI (SAST) Regulations, and a confirmation for the same had been obtained by one of the promoters (on behalf of others) of the target company.

ii. Information such as promoters' capital build up or any information pertaining to acquisitions or non-compliances by the outgoing promoters of the target company does not form part of the offer documents for open offer as per the SAST Regulations. The aforesaid information is sought by SEBI for its independent enquiry. SEBI has its own internal processes and system and does not solely rely upon the said information to initiate any action.

iii. It has suo-moto specified the non-compliances observed under Regulation 30 (2) of SAST Regulations. However, whilst disclosing the non-compliances to the shareholders, our Client only listed the requisite non-compliance to the shareholders. Further, in none of its responses, it had confirmed that the said non-compliance disclosures would be incorporated whilst filing the letter of Offer.

iv. There was no direct communication with the target company and despite efforts to obtain the transaction dates from the said target company, challenges were encountered due to which it had to rely on publicly available information and information provided by the Target company vide their undertaking dated July 03, 2023 to prepare the DLOF.

10.4. With respect to takeover transaction of Richrich Inventures Limited, the Noticee has submitted that:

- i. The acquirer himself served as the sole point of contact for the documentation in respect of the target company. As the Noticee encountered challenges in accessing complete information regarding the Target Company, information was sourced from publicly available sources and the information supplied by the Promoters of the Target Company.
- ii. There was an inadvertent human error in not reporting a change exceeding 2% in the total shareholding of the promoter and promoter group along with the corresponding compliance or non-compliance under Regulation 29 (2) of the SAST regulations. However, the said instance was not pointed out by SEBI during the open offer process. It would have revised the promoter build up and included the details of the compliances if the same had been informed to it during the open offer process.

10.5. The Noticee has acknowledged the concerns raised regarding its reliance on signed resumes and undertaking from the acquirers while disclosing educational qualification and experience of the acquirer in the LOF. The Noticee has submitted that it has taken prompt corrective action to conduct thorough due diligence and verify educational as well as professional qualifications of the acquirers properly and maintain proper documentation.

10.6. The Noticee has submitted that allegations regarding open offer transactions mostly relate to the concerns already raised during a meeting convened by SEBI on July 30, 2024 with the MBs handling open offers. The key issues discussed was the sourcing and disclosure of information related to Target Company, its promoters and directors. It was specifically emphasized during the meeting that MBs face challenges in accessing complete information during open offers and therefore, it is typically sourced from publicly available sources or what the Target Company directly provides. The preparation of promoter build up and their compliance status is also sourced from the record maintained by Target Company and promoters.

10.7. Noticee has submitted that it has promptly implemented corrective measures to conduct thorough due diligence including maintenance of adequate documentation to verify the qualification of all relevant individuals, seeking transaction statements from the promoters, informing SEBI officials if information is sourced from publicly available sources and taking official confirmation from Target company. It has simultaneously also created a designated email address takeover@swarajshares.com to ensure thorough recording and retention of documents including status of compliance.

Submissions pertaining to creation of false record and tendering to the inspection team.

10.8. The Noticee has stated that no Board Meeting was held on March 06, 2024 and has denied creating a false certified copy of board resolution dated March 06, 2024. Noticee submitted that the Board Resolution dated March 06, 2024 was in fact a preliminary draft and not the final resolution signed by the concerned Directors. The Noticee has also contended that since the Board resolution was not recorded in the Minutes Book, the document cannot be considered as a valid Board Resolution.

10.9. The Noticee subsequently vide its letter dated February 21, 2025 has further submitted that the seized documents (i.e. the Board Resolution dated March 06, 2024

and Minutes of Board Meeting) were actually a rough note. The same was prepared by its staff in the Registered Office to assist the Branch Office in answering queries of the inspection team regarding the appointment of a compliance officer and the grievance redressal policy.

10.10. The Noticee has submitted that the name of Compliance Officer and the Grievance Redressal policy were incorrectly printed in resolution and minutes format respectively. The Noticee has stated that both Mr. Ravi Agarwal and Mr. Raj Agarwal were not present in the Branch Office during the inspection, but the concerned office staff under the pressure of inspection impetuously signed the Board Resolution and the Minutes of the meeting on their behalf and shared the documents to the branch office.

10.11. The Noticee has also submitted that both the documents were not prepared to submit before any authority but were part of a bunch of documents lying on the desk of one of the Directors, which was seized by the inspecting team. Once all the documents were seized, they were certified as true as per the instructions of Inspecting Officer. Therefore, the said documents were also certified and stamps were affixed on them.

10.12. Noticee has further contended that there was no malafide intention or attempt at unfair gain in this matter. Both the drafts were immaterial and did not contain any sensitive information that could have affected the interests of the securities market or violated securities regulation.

Other submissions

10.13. The Noticee has admitted to the lapses mentioned at Sr. Nos. D, E, F, G, H and K of Table 1 mentioned above. The Noticee has submitted that the lapses were inadvertent and not intentional. Further, it has taken prompt corrective steps to rectify the said violations after the same were brought to its notice.

10.14. With respect to appointment of Compliance Officer, the Noticee has submitted that it has taken timely action to appoint a Compliance Officer in terms of PIT Regulations. It has further submitted that it has also appointed an Assistant Compliance Officer to perform the duties of Compliance Officer in case of prolonged absence or vacancy.

10.15. The Noticee has submitted that observations made regarding certain non-compliance primarily pertain to clerical matters and do not have a significant impact on the securities market. It has already taken corrective steps and changes have been implemented to address the concerns raised in the inspection.

10.16. The Noticee has submitted that it is a newly registered Merchant Banker with less than 2 years of existence and is in a nascent stage of its operation. Therefore, the Noticee has requested a supportive and guiding approach from SEBI and to consider issuing a Regulatory Censure that it believes will be proportionate to the violations.

D. CONSIDERATION OF ISSUES AND FINDINGS

11. I have perused the Enquiry Report, SCN, replies of the Noticee and other material available on record. In the extant proceedings, it is required to ascertain whether the Noticee, has violated the provisions of securities law as mentioned in the Enquiry report.
12. Before proceeding, I find it appropriate to reproduce below the relevant provisions of the regulations and circulars alleged to have been violated by the Noticee:

Regulation 13 read with Clauses 2, 3, 4, 5, 20, 21 and 27 of Schedule III (Code of Conduct) of Merchant Bankers Regulations

Code of conduct.

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

SCHEDULE III

2. A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.

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

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

5. A merchant banker shall endeavour to ensure that—

(a) inquiries from investors are adequately dealt with;

(b) grievances of investors are redressed in a timely and appropriate manner;

(c) where a complaint is not remedied promptly, the investor is advised of any further steps which may be available to the investor under the regulatory system.

20. A merchant banker shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Board.

21. A merchant banker shall maintain an appropriate level of knowledge and competence and abide by the provisions of the Act, regulations made thereunder, circulars and guidelines, which may be applicable and relevant to the activities carried on by it. The merchant banker shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

27. A merchant banker shall ensure that good corporate policies and corporate governance are in place.

Regulation 9A(1)(e) & (f) of Merchant Bankers Regulations

9A. Conditions of Registration

(1) Registration granted under regulation 8 shall be subject to the following conditions, namely:—

(e) it shall abide by the regulations made under the Act in respect of the activities carried on by it as merchant banker.

(f) it shall immediately intimate the Board, details of changes that have taken place in the information that was submitted, while seeking registration.

Regulation 28C(1) of Merchant Bankers Regulations

28C. Grievance Redressal Mechanism

(1) The Merchant Banker shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.

Regulation 28(2) of the Merchant Bankers Regulations

28. Disclosures to the Board

(2) The merchant banker shall submit a periodic report in such manner as may be specified by the Board from time to time.

Regulations 3(5), 9(1), 9(3) read with Schedule C of the PIT Regulations

3. Communication or procurement of unpublished price sensitive information.

(5) The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

9. Code of Conduct

(1) The board of directors of every listed company and the board of directors or head(s) of the organisation of every intermediary shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B (in case of a listed company) and Schedule C (in case of an intermediary) to these regulations, without diluting the provisions of these regulations in any manner.

(3) Every listed company, intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

Regulation 28A of the Merchant Bankers Regulations

28A. Appointment of Compliance Officer

(1) Every merchant banker shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors' grievances.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him and ensure that the observations made or deficiencies pointed out by the Board on/in the draft prospectus or the letter of offer as the case may be, do not recur.

'Fit and Proper Criteria' under clause 3(a) of Schedule II of the Intermediaries Regulations

(3) For the purpose of determining as to whether any person is a 'fit and proper person', the Board may take into account any criteria as it deems fit, including but not limited to the following:

(a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;

SEBI Master Circular for Substantial Acquisition of Shares and Takeover dated February 16, 2023 (SEBI Master Circular dated February 16, 2023)

https://www.sebi.gov.in/legal/master-circulars/feb-2023/master-circular-for-substantial-acquisition-of-shares-and-takeovers_68091.html

SEBI Circular SEBI/HO/CFD/DCR1/CIR/P/2017/22 dated March 15, 2017 (SEBI Circular dated March 15, 2017)

<https://www.sebi.gov.in/legal/circulars/mar-2017/revised-format-for-letter-of-offer-under-sebi-substantial-acquisition-of-shares-and-takeovers-regulations-2011-sast-regulations-34366.html>

SEBI Circular CIR/MIRSD/6/2012 dated May 14, 2012 (SEBI Circular dated May 14, 2012)

https://www.sebi.gov.in/legal/circulars/may-2012/review-of-regulatory-compliance-and-periodic-reporting_22759.html

SEBI Circular No. CIR/MIRSD/3/2014 dated August 28, 2014 (SEBI Circular dated August 28, 2014)

https://www.sebi.gov.in/legal/circulars/aug-2014/information-regarding-grievance-redressal-mechanism_27882.html

SEBI Circular No. MIRSD/DPSIII/Cir-24/08 dated July 25, 2008 (SEBI Circular dated July 25, 2008)

https://www.sebi.gov.in/sebi_data/attachdocs/1293685162782.pdf

SEBI Circular no. SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/38 dated May 02, 2017 (SEBI Circular dated May 02, 2017)

https://www.sebi.gov.in/legal/circulars/may-2017/online-registration-mechanism-for-securities-market-intermediaries_34793.html

SEBI Circular MIRSD/DPS III/Cir-01/07 dated January 22, 2007 (SEBI Circular dated January 22, 2007)

https://www.sebi.gov.in/legal/circulars/jan-2007/exclusive-e-mail-id-for-redressal-of-investor-complaints_9431.html

SEBI Circular no. SEBI/HO/CFD/DCR2/P/CIR/2021/0661 dated November 23, 2021 (SEBI Circular dated November 23, 2021)

https://www.sebi.gov.in/legal/circulars/nov-2021/publishing-investor-charter-and-disclosure-of-complaints-by-merchant-bankers-on-their-websites_54147.html

13. I shall now proceed to deal with the violations alleged, basis the conclusions in the Enquiry report;

I. Failure to exercise proper due diligence in certain takeover transactions

14. The SCN alleges that the Noticee failed to exercise due diligence while preparing the DLOFs/LOFs in respect of the Sheetal Diamonds Limited and Richrich Inventures Limited because:

i. In the LOF of Sheetal Diamonds, disclosures pertaining to regulations 30(2) for the years 2016, 2017 and 2021 respectively were not disclosed under the category of non-compliance.

ii. In the DLOF of both Sheetal Diamonds Limited and Richrich Inventures Limited, the Noticee has not captured the exact dates of sale/purchase transaction in respect of the capital build-up of promoters. The Noticee has prepared the same based on changes in quarterly shareholding pattern available on the website of the Exchange. Supporting documents pertaining to compliance and delayed compliance in respect of transactions captured in the capital build-up are also not maintained by the Noticee.

iii. In the LOF of both Sheetal Diamonds Limited and Richrich Inventures Limited, the Noticee has not exercised any independent due diligence and has instead relied on self-certified profiles provided by the Acquirer. It has not kept on record any supporting documents regarding the education qualification and professional experience of the acquirer.

iv. In the LOF of Richrich Inventures Limited, there was an error in reporting the closing balance of shareholding of promoter and promoter group for the quarter ended March 2023, which was reported as 67.47% instead of 24.00%. Further, there was a change exceeding 2% in the total shareholding of promoter and promoter group in the quarter that ended in March 2020. However, the Noticee has not reported any compliance/non-compliance under Regulation 29(2) in the capital build-up so submitted.

v. No supporting documents pertaining to compliance and delayed compliance in respect of transactions forming part of status of compliance under Chapter V of the SAST Regulations disclosed in DLOF/ LOF have been maintained by the Noticee.

15. In view of the above, it has been alleged that the Noticee has violated SEBI Circular dated March 15, 2017, Regulation 13 read with Clauses 4 and 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations and regulation 9A(1)(e) of Merchant Bankers Regulations.
16. The DA has referred to SEBI Circular dated March 15, 2017 while deciding on the allegations pertaining to failure to maintain due diligence while preparing the DLOF/LOF. However, I note that on the date of filing of DLOF/LOF in the matter mentioned in Enquiry Report, SEBI had already issued the Master Circular for Substantial Acquisition of Shares and Takeovers dated February 16, 2023 and the SEBI Circular dated March 15, 2017 stood rescinded.
17. I note that the Master Circular dated February 16, 2023 while subsuming within it the erstwhile SEBI Circular dated March 15, 2017, has not altered the core requirements of disclosure that is required to be adhered to by MBs during an open offer transaction. In fact, Chapter 1 of the Master Circular dated February 16, 2023 mandates the same obligations provided in the SEBI Circular dated March 15, 2017. It prescribes the format for the MBs to disclose to SEBI, *inter-alia* status of compliance with applicable provisions of the SAST Regulations with respect to details of the acquisition/sale furnished in terms of the Circular. The prescribed format also requires the MBs to capture the dates of respective transactions to ascertain the non-compliance under SAST Regulations. Further, the Master Circular also requires the MBs to file with SEBI the status of compliance of the promoter/ promoter group with the applicable provisions of the SEBI (SAST) Regulations. Thus, alleged violation against the Noticee remains essentially the same regardless of the specific circular cited
18. The Hon'ble Supreme Court in the case of ***Collector of Central Excise, Calcutta vs. The Pradyumna Steel Ltd. (SLP (C) No. 18531 of 1995 decided on January 19, 1996)*** while dealing with the validity of a show cause notice wherein an inapplicable provision was mentioned, has held that "*It is settled that mere mention of a wrong*

provision of law when the power exercised is available even though under a different provision is by itself not sufficient to invalidate the exercise of that power.”

19. Therefore, mere mentioning of SEBI Circular dated March 15, 2017 instead of Master Circular dated February 16, 2023 does not vitiate the present proceedings or the SCN issued.
20. The DA has observed that during the inspection period the Noticee did not have any system of independently verifying the information made available to them and relied on secondary sources of information. Further, with respect to the takeover of the captioned companies, the DA has noted that the Noticee did not obtain or could not produce any documentary evidence to demonstrate that they had exercised due diligence.
21. The submissions made by the Noticee in this respect has been summarized at paragraphs 10.1 – 10.7 above. I note that the primary allegation against the Noticee has been its failure to exercise due diligence while preparing DLOF/ LOF in respect of the captioned take over transactions. The Noticee has sought to defend its position by contending that there was no formal engagement with the Target Company/Promoter/Directors; therefore, it had to rely on publicly available sources for obtaining information. Further, the Noticee has also contended that it has discharged its duty of due diligence by ensuring that one of the Promoters had verified the disclosures on behalf of the Target Company.
22. In this regard, it will be useful to first refer to the decision of Hon’ble Supreme Court in the matter of **Chander Kanta Bansal vs. Rajinder Singh Anand [(2008) 5 SCC 117]** wherein the Hon'ble Supreme Court defined the term due-diligence as under:

“The words "due diligence" have not been defined in the Code of Civil Procedure, 1908. According to Oxford Dictionary (Edn. 2006), the word "diligence" means careful and persistent application or effort. "Diligent" means careful and steady in application to one's work and duties, showing care and effort.”

23. The Hon'ble Securities Appellant Tribunal in **Keynote Corporate Services Ltd. vs. SEBI (Appeal No. 84 of 2012 decided on 19.02.2014)** while relying on the said interpretation of due diligence has held the following in the context of MBs responsibilities while filing Red Herring Prospectus on behalf of the issuer company:

“... Due diligence on part of Merchant Banker does not mean passively reporting whatever is reported to it but to find out everything that is worth finding out. It is about making an active effort to find out material developments that would affect interest of investors. It is on faith that intermediary has conducted due diligence with utmost sincerity that investing public goes forward and decides to invest in a particular company...”

24. Ensuring the truth and correctness of the open offer documents is a fundamental responsibility of the MB, which the Noticee has failed to discharge. The Noticee has done nothing to carry out due diligence and has been a passive actor relying on documents/information supplied to him. The Noticee should have actively looked into various disclosures and scrutinised the relevant documents independently before their certifying correctness. Therefore, the argument of the Noticee that there was no formal arrangement with the Target Company or its duty to exercise due diligence was over as soon as the information was verified by one of the promoters is without merit.

25. No evidence has been provided to substantiate the submission of the Noticee that it encountered challenges while obtaining the information from the Target Company. I note that the Noticee has failed to produce any documentary evidence to demonstrate that they had independently verified and done proper due diligence.

26. The Noticee has sought to justify its reliance on publicly available sources for the preparation of the promoter capital build-up by referring to a meeting held with SEBI on July 30, 2024, during which challenges faced by MBs in takeover transactions were discussed, and it was intimated to SEBI that information is often sourced from public

sources. However, this submission is untenable, as the violations committed by the Noticee occurred during the financial year 2023–24, which predates the aforementioned meeting. Moreover, irrespective of the discussions held in the said meeting, the obligation of MBs to exercise due diligence remains unchanged; it is a fundamental regulatory requirement

27. The Noticee has admitted that it had inadvertently not reported the 2% change in the total shareholding of the promoter and promoter group during the open offer process of Richrich Inventures Ltd. and has accepted the allegations raised regarding failure to verify the personal background/details submitted by the acquirers. Being a registered MB, the Noticee was required to exercise proper due diligence. Failure to exercise independent verification results in wrong information being recorded in documents issued for the benefit of investors in general which leads to serious loss of credibility and integrity of the securities market.

28. In view of the above, I agree with the conclusion of the DA and hold that the Noticee has violated SEBI Circular dated March 15, 2017 read with SEBI Master Circular dated February 16, 2023, regulation 13 read with Clauses 4 and 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations and regulation 9A(1)(e) of Merchant Bankers Regulations.

II. Failure to comply with applicable provisions with respect to investor grievances.

29. It has been alleged that the Noticee failed to comply with the applicable provisions pertaining to investor grievances during the inspection period because:

- i) the Noticee failed to disclose the designated email address for investor grievance on its website;
- ii) the Noticee failed to report 9 investor complaints and was unable to provide any supporting documents with respect to redressal of 4 complaints;

iii) the Noticee failed to upload monthly complaints data for the months of April 2023 and October 2023 on its website as per the prescribed timelines i.e. latest by 7th day of succeeding month.

30. In view of the above, it was alleged that the Noticee has violated SEBI Circular dated January 22, 2007, SEBI Circular dated November 23, 2021, regulation 9A(1)(e) of Merchant Bankers Regulations, regulation 28C(1) of Merchant Bankers Regulations and regulation 13 read with clause 4, 5 and clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations.

31. I note that Regulation 28C (1) of the Merchant Bankers Regulation requires the MBs to redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board. In this context, SEBI circular dated January 22, 2007 *inter alia* directs all the MBs to create a designated exclusive e-mail address to exclusively deal with the investors complaints and the said email address should be prominently displayed on their websites. Further, SEBI Circular dated November 23, 2021 *inter-alia* requires all the MBs to disclose on their respective websites, the data on complaints received against them or against issues dealt by them and redressal thereof latest by 7th day of the succeeding month.

32. In this regard, the Noticee had submitted before the DA that failure to disclose the designated email address on its website and non-reporting of 9 complaints were due to inadvertent oversight. The Noticee also acknowledged the delay of 1 day and 1 month respectively in uploading the monthly complaints data for the months of April 2023 and October 2023. Hence, the DA has noted that the Noticee had admitted to all the violations as alleged.

33. I note from the submissions made before me that the Noticee has accepted the said alleged violations. Therefore, I agree with the DA's conclusion that the Noticee has

violated SEBI Circular dated January 22, 2007, SEBI Circular dated November 23, 2021, regulation 9A(1)(e) of Merchant Bankers Regulations, regulation 28C(1) of Merchant Bankers Regulations and regulation 13 read with clause 4, 5 and clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations.

III. Failure to comply with the applicable provisions with respect to periodic reports.

34. The SCN alleges the following discrepancies in the periodic report submitted by the Noticee:

- i) In the half-yearly report for the period ending March 2023 submitted to SEBI on July 13, 2023, the Noticee has reported Rs. 5.59 Cr. as audited net worth figure. However, the audit report was signed on August 18, 2023 i.e. post submission of periodic reports.
- ii) In the half-yearly report for the period ending March 2023, it was reported that the Board of Directors had reviewed the report on June 30, 2023. Whereas, as per certified true copy of the resolution of the Board of Directors provided by Noticee during inspection, the board resolution for review of such report was passed on April 23, 2023.
- iii) During inspection, it was observed that the Noticee had received a complaint dated August 28, 2023 in the matter of IPO of Citichem India Limited. However, in the half-yearly report for the period ending September 2023, it was observed that Noticee had not reported anything in the complaints data.

35. In view of the above, the DA has held that the Noticee has violated regulation 13 read with clause 2, 3, 20 & 21 of Schedule III (Code of Conduct for Merchant Bankers) of the Merchant Bankers Regulations, regulation 9A(1)(e) and regulation 28(2) of the Merchant Bankers Regulations read with SEBI Circular dated May 14, 2012.

36. SEBI Circular dated May 14, 2012 specifies the format of half-yearly periodic reports and the details to be submitted by the MBs in such periodic reports. Further regulation 13 read with clause 2, 3, 20 & 21 of Schedule III (Code of Conduct for Merchant Bankers) of the Merchant Bankers Regulations casts an obligation on the MBs to not make any untrue statement or suppress any material fact in any documents, reports or information furnished to the Board and maintain highest degree of fairness and integrity while conducting its business.
37. The Noticee before the DA had submitted that there was no change in the net worth between the audited and unaudited financial data. With respect to the half-yearly report, Noticee reported Rs.5.59 crore as audited report to SEBI on July 13, 2023 although the audit report was signed on August 18, 2023. Noticee submitted that the date of review by Board of Director was wrongly reported due to an inadvertent error. Further, the Noticee had submitted before the DA that the Noticee was in talks with the complainant to withdraw the complaint and therefore did not include the same in the reports.
38. I note from the submissions, that the Noticee has not denied committing the aforesaid alleged violations. The format of periodic report clearly specifies that the latest audited net worth figures have to be submitted. The Noticee, by submitting the unaudited net worth data, had clearly submitted incorrect data. Its submission that there was no change between the audited and non-audited figures does not absolve the Noticee of its duty to prepare accurate reports and submit the same transparently to SEBI. Clearly, the Noticee has failed in its duty to strictly comply with the letter of the SEBI regulations and circulars. Such non-compliance is reflective of the MBs casual approach in discharging its responsibilities and a serious lack of due diligence on its part. The Noticee's defence that because it was in talks with the complainant to withdraw his complaint, it did not report the existence of such a complaint, is also unjustifiable.

39. Therefore, I agree with the conclusion of the DA and hold that the violation of regulation 13 read with clause 2, 3, 20 & 21 of Schedule III (Code of Conduct for Merchant Bankers) of the Merchant Bankers Regulations, regulation 9A(1)(e) and regulation 28(2) of the Merchant Bankers Regulations read with SEBI Circular dated May 14, 2012 stands established.

IV. Failure to display information regarding investor grievance mechanism at its office

40. The SCN alleges that the Noticee had failed to display information regarding investor grievance mechanism at its office during the inspection. The DA has observed that Noticee has not given any clarification with respect to the said observations but merely submitted that prompt corrective measures have been taken by displaying the necessary information at the Branch Office.

41. In this regard, the relevant portion of the SEBI Circular dated August 28, 2014 is reproduced below:

“ ...

2. As an additional measure and for information of all investors who deal/ invest/ transact in the market, it has now been decided that offices of all Stock Brokers (its registered Sub-Broker(s) and Authorized Person(s)) and Depository Participants shall prominently display basic information, as provided in Annexure-A, about the grievance redressal mechanism available to investors. For other intermediaries, the information as provided in Annexure-B shall be prominently displayed in their offices.”

42. As per the above-mentioned SEBI Circular, MBs are required to prominently display at their office, information including the details of Compliance Officer, Contact details of CEO/Partner/Proprietor and details of SCORES platform. I note that in their submissions before me, the Noticee has admitted to the non-compliance of the above quoted provisions and have stated that corrective action has been taken post

inspection. Therefore, I agree with the DA's conclusion that the alleged violation of SEBI Circular dated August 28, 2014, regulation 13 read with clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of Merchant Bankers Regulations and regulation 9A(1)(e) of Merchant Bankers Regulations stands established.

V. Failure to maintain email ID solely for regulatory communications

43. The SCN alleges that the Noticee is in violation of SEBI Circular dated July 25, 2008 because the designated email address for regulatory communication i.e. compliance@swarajshares.com was used for purposes other than regulatory communication with SEBI and it was also not used for communicating with the inspection team.
44. As per SEBI Circular dated July 25, 2008, the MBs are required to create and maintain a designated e-mail address for regulatory communications. It was directed that the designated e-mail address shall be an exclusive e-mail address to be utilised solely for the regulatory communication and any communications with SEBI should be through the said email address and not through any person-centric e-mail address.
45. The DA has concluded that the Noticee had failed to maintain the designated email address as per the above-mentioned SEBI Circular. Further, the DA has also observed that the Noticee was aware that the erstwhile Compliance Officer had used the designated email address for non-regulatory correspondences in few instances and had taken corrective measures only after the inspection team pointed out the same to it.
46. I note that the Noticee, in its submission before me, has also admitted to the aforesaid lapses and has submitted that it has taken corrective steps to rectify the non-compliance. In view of the same, I agree with the DA's conclusions that the Noticee violated SEBI Circular dated July 25, 2008, regulation 13 read with Clause 21 of

Schedule III of Merchant Bankers Regulations and regulation 9A(1)(e) of Merchant Bankers Regulations.

VI. Failure to comply with PIT Regulations

47. It has been alleged that the Noticee failed to comply with the provisions of PIT regulations because:

- (i) the Noticee failed to identify and designate a compliance officer during the period from October 18, 2023 to October 31, 2023;
- (ii) the name of Mr. Prince Jha (an IT support staff) was not included in the list of designated persons to be maintained as per the PIT Regulations;
- (iii) timely entries with respect to six open offers handled by the Noticee were not made in the structured digital database (**SDD**).

48. During the course of inspection, it was observed that Mr. Prince Jha (who was an IT Support staff and an employee of IT vendor of the Noticee namely LDS Infotech Pvt. Ltd.), provided the walkthrough of the SDD to the inspection team. Mr. Prince Jha was operating the SDD and had complete control of the SDD. It was also observed that entries pertaining to 6 open offers handled by the Noticee was made in the SDD on the date of public announcement of respective open offers. The inspection report also noted that there was no Compliance Officer for the period between October 18, 2023 to October 31, 2023.

49. In view of the above, it has been alleged that the Noticee is in violation of regulations 3(5), 9(1) read with Schedule C of the PIT Regulations, regulation 9A(1)(e) of Merchant Bankers Regulations and regulation 13 read with Clause 21 of Schedule III of Merchant Bankers Regulations.

50. As per Clause (e) of sub-regulation (1) of regulation 9A of the Merchant Banking Regulations, MBs are required to abide by PIT regulations. Regulation 9 (1) of the PIT

regulations requires all the intermediaries to formulate a code of conduct for their designated persons to preserve the confidentiality of any UPSI that may come in their possession. Further, regulation 9 (3) of the PIT Regulations mandates the intermediaries to designate a Compliance Officer under the PIT Regulations for administering the said code and ensure compliance with PIT Regulations. Accordingly, the Noticee has adopted a code of conduct to regulate, monitor and Report trading by Designated Persons with effect from April 01, 2023. The said code defines 'designated person' to *inter-alia* include “any support staff such as IT staff or secretarial staff who have access to unpublished price sensitive information.”

51. In terms of regulation 3 (5) of PIT Regulations, every MB is required to maintain a SDD containing the details of unpublished price sensitive information (UPSI) handled by them, the names of persons who have shared such UPSI and with whom such UPSI has been shared. Any UPSI once received has to be entered in the SDD not later than 2 calendar days from the receipt of such information. PIT Regulations also require that the SDD shall not be outsourced and has to be maintained internally with adequate internal controls and checks.
52. During the proceedings before the DA, the Noticee has acknowledged that the name of Mr Prince Jha should have been included in the list of designated persons, but his name was inadvertently missed. The Noticee had also submitted that there was an inadvertent delay in entries in SDD with respect to six open offers due to technical issues. With respect to appointment of Compliance Officer, the Noticee has submitted that the Compliance Officer of the company was also the designated Compliance Officer under PIT Regulations and it had taken timely action to appoint the same. The DA has accepted the Noticee's submission w.r.t appointment of Compliance Officer but has held the Noticee to be in violation of PIT Regulations for not maintain the SDD properly and non-inclusion of Mr. Prince Jha in the list of designated persons.

53. The Noticee *vide* their submissions before me have also not denied the allegations pertaining to maintenance of SDD and non-inclusion of Mr Prince as a designated person. I note that Mr. Prince Jha was an IT support Staff of the Noticee and had access to the SDD. Therefore, as per PIT Regulations and its own code of conduct, Mr. Prince Jha should have been named as a designated person. Further, Mr. Prince Jha was an employee of IT Vendor of the Noticee, hence, was an outsider who had unsupervised access to SDD. As per the PIT Regulations, his access to SDD should have been restricted and adequately supervised. Such unsupervised control of the SDD, makes the system vulnerable for leakage of price sensitive information and defeats the purpose of maintaining the SDD.

54. I also note that the Noticee being the manager to multiple open offers was in possession of UPSI with respect to such offers since the date of start of discussion with the Acquirers. However, the Noticee made entries in the SDD with respect to such offers only on the day of the respective public offers. The PIT Regulations require that any UPSI should be entered in the SDD within 2 days of its receipt or knowledge. Therefore, Noticee did not make entries in the SDD in a timely manner and failed to maintain the SDD as envisaged under the PIT regulations.

55. In view of the above, I agree with the conclusion of the DA that the Noticee violated regulations 3(5), 9(1) read with Schedule C of the PIT Regulations, regulation 9A(1)(e) of Merchant Bankers Regulations and regulation 13 read with Clause 21 of Schedule III of Merchant Bankers Regulations.

VII. Appointment of Compliance Officer

56. The inspection report observed that the Noticee had appointed Ms. Manisha Nainai as Compliance Officer for the period from June 06, 2023 to October 17, 2023. After her resignation w.e.f October 17, 2023, Ms Pooja Parikh was designated as a

Compliance Officer w.e.f November 01, 2023. Therefore, it was observed that the Noticee had failed to appoint a compliance officer for the intervening period from October 18, 2023 to October 31, 2023.

57. As per Regulation 28A of Merchant Bankers Regulations, every merchant banker is required to appoint a Compliance Officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc. and for redressal of investors' grievances.
58. During the proceeding before the DA, the Noticee submitted that Ms. Pooja Parikh was hired on October 11, 2023 but due to unavoidable and unforeseeable circumstances, she could not join the post before November 1, 2023 and it was practically not possible for the Noticee to withdraw the appointment. Therefore, there was delay in filling up the position of Compliance Officer. Considering the practicality of the situation and taking note of the fact that the Noticee had already appointed a compliance officer prior to resignation of erstwhile compliance officer, the DA concluded that the Noticee had not violated the applicable provisions.
59. I note that the regulation 28A of Merchant Bankers Regulation does not provide for any time limit for filling up the vacant position of compliance officer. I also note that the Noticee vide email dated October 11, 2023 had already appointed Ms. Pooja Parikh as a Compliance Officer before the resignation of erstwhile Compliance Officer. Therefore, the Noticee had taken timely action and not failed to appoint a compliance officer as per the applicable provisions.
60. Further, I also draw reference to a similar provision in regulation 6 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**LODR Regulations**) wherein a period of three months is given to the listed companies for filling up the vacancy to the post of compliance officer. In the present case, the new Compliance Officer was appointed prior to the erstwhile Compliance Officer demitting office. The

‘vacancy’ if any is only with respect to the 14 days that she took to join the post. I am cognizant of the fact that the LODR regulations are not applicable to unlisted companies, however if one were to be guided by the said provision, the 14 days gap for the purpose of the new Compliance Officer joining her post, would not be entirely unreasonable.

61. In view of the above, I find no reason to disagree with the conclusion of the DA that the Noticee is not in violation of regulation 28A of the Merchant Bankers Regulations, regulation 9A(1)(e) of Merchant Bankers Regulations and regulation 13 read with clause 21 of Schedule III of Merchant Bankers Regulations.

VIII. Intimation regarding changes

62. During the inspection period, it was observed that following changes had taken place in respect of the Director, KMP and Compliance Officer of the Noticee:

Sr. No.	Name	Designation	Date of Appointment	Date of cessation
1	Mr. Mohit Baser	Vice President (KMP)	September 01, 2022	May 31, 2023
2	Ms. Pankita Patel	Compliance Officer	October 01, 2022	June 06, 2023
3	Ms. Pankita Patel	Director	May 10, 2023	N.A
4	Ms. Manisha Nainani	Compliance Officer	June 06, 2023	October 17, 2023
5	Ms. Pooja Parikh	Compliance Officer	November 01, 2023	N.A

63. It has been alleged that the Noticee has not intimated the aforesaid changes in the positions of Director, KMP and Compliance Officer to SEBI through SI Portal and therefore has violated SEBI Circular dated May 02, 2017, regulation 9A(1) (e) & (f) of Merchant Bankers Regulations and regulation 13 read with clause 21 of Schedule III of Merchant Bankers Regulations.

64. As per the Merchant Bankers Regulations, the MBs are required to intimate the details of any change in respect of information submitted while seeking registration, within seven working days of such change. Further, SEBI Circular dated May 02, 2017 *inter-alia* mandates the MBs to indicate such change in information online through the SEBI Intermediaries Portal (**SI Portal**).
65. I note that the Noticee has admitted that the aforesaid changes in positions of Director, KMP and Compliance Officer was not intimated to SEBI through SI Portal and submitted that it has taken corrective measures. Since it is clear that the Noticee had committed the said violations, the allegation of violation of SEBI Circular no. SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/38 dated May 02, 2017, regulation 9A(1) (e) & (f) of Merchant Bankers Regulations and regulation 13 read with clause 21 of Schedule III of Merchant Bankers Regulations by the Noticee stands established.

IX. Creation of False Records and submission to the Inspection Team

66. The SCN alleges that the Noticee had created false records and submitted two fabricated documents to the inspection team of SEBI viz. (i) Certified true copy of resolution passed at board meeting; and (ii) minutes of board meeting held on March 06, 2024 at 10.00 AM. SCN alleges that the two records were fabricated to show that a meeting of the board of directors was held on March 6, 2024 at 10:00 AM at the branch office of the Noticee (i.e. *A-304, A-Wing, 215, Atrium, Near Courtyard Marriot, Andheri Kurla Road, Andheri East, Mumbai – 400 093*). As per the minutes of meeting, 5 individuals including director (Mr. Tanmoy Banerjee and Ms. Pankita Deepak Patel) of the Noticee were present in the said meeting.
67. The SCN further notes that the inspection team and the inspecting authority were present at the said address on March 6, 2024 from 9:30 AM onwards for carrying out physical inspection and Mr. Tanmoy Banerjee and Ms. Pankita Deepak Patel (two directors of the Noticee) were coordinating with the inspection team all along.

Therefore, it was not physically possible for the said two directors to simultaneously attend the board meeting as mentioned in the minutes. Further, it is alleged that three directors of the Noticee reside in Kolkata but they were shown as present in the said minutes of the board meeting dated March 06, 2024 held at Mumbai Office. Furthermore, although the place of meeting is noted as Mumbai, one of the directors Mr. Ravi Shankar Agarwal has signed the said 'minutes' as 'Chairman' on March 06, 2024 itself and the place of signing is mentioned as 'Kolkata'. Moreover, there is no record of the meeting taking place through video conferencing.

68. In view of above, it has been alleged that the Noticee has violated regulation 13 read with clause 2, 20, 21 and 27 of Schedule III of Merchant Bankers Regulations, regulation 9A(1)(e) of Merchant Bankers Regulations, and 'Fit and Proper Criteria' under clause 3(a) of Schedule II of the Intermediaries Regulations.
69. I note that regulation 13 read with clause 2, 20, 21 and 27 of Schedule III (Code of Conduct) of Merchant Bankers Regulations mandate MBs to maintain high standards of integrity, dignity and fairness, not make any untrue statement or suppress any material fact in any documents, reports or information furnished to the Board and to ensure good corporate policies and corporate governance. Further, as per the Intermediaries Regulations, MBs are required to meet the 'fit and proper person' criteria. Clause 3 of Schedule II of the Intermediaries regulations, which *inter-alia* applies to MBs, states that integrity, honesty, ethical behaviour, reputation, fairness, and character of all MBs are key factors in determining compliance with the criterion of 'fit and proper' person.
70. The DA in its report has noted that the Noticee has created and submitted fabricated documents, which raises questions about its integrity, honesty, ethical behaviour, fairness and character. The DA has observed that the Noticee could not provide any evidence to prove the contrary and therefore held the Noticee to be in contravention of various provisions as mentioned above.

71. In this regard, the Noticee vide its submission before me has admitted that no Board meeting was held on March 06, 2024. The Noticee had initially submitted vide letter dated December 16, 2024 that the document was actually a preliminary draft, which was seized by the inspecting SEBI official from the desk of the concerned director. The Noticee subsequently vide letter dated February 21, 2025 submitted that the documents were in fact “rough notes” and not intended to be submitted before any authority. The Noticee also argued that the Board resolution by virtue of it being not recorded in minutes book has no legal standing and the directors never signed the said documents but the same were signed by the concerned staff on behalf of the directors under the pressure of SEBI inspection to submit before the authorities.
72. The submission of the Noticee that the Board resolution has no legal standing because it was not recorded in the minute’s book is irrelevant in the context of the allegations made in the DA report and SCN. The legality of seized document is not the subject matter of the present SCN.
73. The Noticee has evidently made incredulous arguments- first the Noticee submits that the documents were ‘preliminary drafts’ and later states that the same were ‘rough notes’, which was mistakenly printed in the format of Board resolution and minutes of meeting. On perusal of the said certified copy of resolution passed at the board meeting and minutes of the board meeting held on March 06, 2024 at 10.00 AM, I find that the two documents do not appear to be draft documents. The documents nowhere mention the word “draft”. Further, the minutes of the board meeting contains the stamp and signature of the Chairman of the Noticee. The Noticee has not explained the rationale behind the directors signing the minutes and digitally signing the resolution. The true copy of the board resolution also contains digital signatures of two directors, Mr. Ravi Shankar Agarwal and Mr. Raj Kumar Agarwal which also does not support the contentions of the Noticee that one staff member signed the resolution on behalf of the directors.

74. The Noticee has also contended in the letter dated February 21, 2025 that both the documents were explanatory notes and were mistakenly printed in the format of board resolution and minutes of meeting. Clearly, in their desperation to avoid liability, the Noticee appears to be adopting vacillating and unjustifiable defences. At no point has the Noticee come clean on this egregious default.
75. I note that integrity, honesty, ethical behaviour and fairness are cornerstones of 'fit and proper' criteria that every MB shall mandatorily satisfy. The Noticee by submitting false/fabricated documents to the inspection team has acted dishonestly. The Noticee's shifting stands and evasive submissions before me is symptomatic of a deeper disregard for ensuring integrity and ethics in its business functions.
76. Therefore, I agree with the conclusions of the DA that the Noticee has violated regulation 13 read with clause 2, 20, 21 and 27 of Schedule III of Merchant Bankers Regulations, regulation 9A(1)(e) of Merchant Bankers Regulations, 'Fit and Proper Criteria' under clause 3(a) of Schedule II of the Intermediaries Regulations.

E. CONCLUSION

77. In view of my above stated findings, I hold that the Noticee has violated the following provisions:
- i. Failure to exercise proper due diligence in certain takeover transactions: SEBI Master Circular dated February 16, 2023; Regulation 13 read with Clauses 4 and 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations; Regulation 9A(1)(e) of Merchant Bankers Regulations.
 - ii. Failure to comply with provisions pertaining to Investor Grievances: SEBI Circular dated January 22, 2007; SEBI Circular dated November 23, 2021; regulation 9A(1)(e)

of Merchant Bankers Regulations; regulation 28C(1) of Merchant Bankers Regulations and Regulation 13 read with clause 4, 5 and clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations.

iii. Discrepancies in the Periodic Reports submitted by Noticee: Regulation 13 read with clause 2, 3, 20 & 21 of Schedule III (Code of Conduct) of the Merchant Bankers Regulations; Regulation 9A(1)(e) of Merchant Bankers and Regulation 28(2) of the Merchant Bankers Regulations read with SEBI Circular dated May 14, 2012.

iv. Failure to display Information regarding investor grievance redressal mechanism at Noticee's Office: SEBI Circular dated August 28, 2014; Regulation 13 read with clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations; and Regulation 9A(1)(e) of Merchant Bankers Regulations.

v. Failure to maintain specific Email ID for regulatory communications: SEBI Circular dated July 25, 2008; Regulation 13 read with Clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations; and Regulation 9A (1)(e) of Merchant Bankers Regulations.

vi. Failure to comply with PIT Regulations: Regulations 3(5), 9(1), 9(3) read with Schedule C of the PIT Regulations; Regulation 9A(1)(e) of Merchant Bankers Regulations; and Regulation 13 read with Clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations.

vii. Failure to intimate regarding changes: SEBI Circular dated May 02, 2017; Regulation 9A(1) (e) & (f) of Merchant Bankers Regulations; and Regulation 13 read with clause 21 of Schedule III (Code of Conduct) of Merchant Bankers Regulations.

viii. Creation of False Records and submission to the Inspection Team: Regulation 13 read with clause 2, 20, 21 and 27 of Schedule III (Code of Conduct) of Merchant Bankers Regulations; Regulation 9A(1)(e) of Merchant Bankers Regulations; and 'Fit

and Proper Criteria' under clause 3(a) of Schedule II of the Intermediaries Regulations.

78. A Merchant Banker acts as a bridge between the Issuer Companies/Listed Companies, Investors and SEBI. As a registered intermediary, they hold a position of significant trust and confidence in the securities market. They have a responsibility to ensure integrity and compliance with the law. Regulation 13 read with Schedule III of the Merchant Banking Regulations *inter-alia* requires MBs to maintain high standards of integrity, dignity and fairness in the conduct of its business and abide by the applicable provisions of the Act, regulations made thereunder, circulars and guidelines.

79. I note that Noticee is a newly registered MB and has been operating for around 2 years. Though the Noticee appears to have taken corrective measures post the inspection to rectify some of the violations, but the violations that have been established against the Noticee by themselves are not technical or minor in nature. The Noticee's act of creating false records to hoodwink the inspections team and its series of falsehoods to cover up the act of creating false records is particularly egregious and inexcusable. Aside from this being unprofessional, these acts are symptomatic of utter disregard for ensuring high standards of integrity.

80. Having regard to the facts and circumstances of the instant proceeding and particularly on account of the serious violation of creating false records, I do not agree with the recommendation of the DA. In preceding paragraphs of this order, I have recorded my finding that the Noticee was non-compliant with 'fit and proper' criteria, which is an essential pre-requisite for registration. Considering this as well, I am of the view that suspension of certificate of registration of the Noticee would be more commensurate with the violations committed by the Noticee.

F. ORDER

81. In view of the foregoing, I, in the exercise of powers conferred upon me under sub section (3) of section 12 and section 19 of the SEBI Act, 1992 read with the sub-regulation (5) of regulation 27 of the Intermediaries Regulations, hereby direct that the certificate of registration of the Noticee i.e. Swaraj Shares and Securities Private Limited (SEBI Registration No. INM000012980) be suspended for a period of 3 (three) months from the date of this order.

82. The Order shall come into force with immediate effect.

83. A copy of this order shall be forwarded to the Noticee and all the Recognized Stock Exchanges to ensure necessary compliances.

Date: August 19, 2025

Place: Mumbai

Sd/-

ANANTH NARAYAN G.

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA