BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO: Order/DS/DK/2022-23/20903-20964]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 r/w RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND SECTION 23 I OF THE SECURITIES CONTRACTS (REGULATIONS) ACT, 1956 r/w RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005 IN THE MATTER OF RELIGARE ENTERPRISES LTD.

Noticee No.	Name of the entity	PAN/ Membership No.
1	OSPL Infradeal Private Limited	AABCO8558K
2	Bharat Road Network Limited	AADCB0921B
3	Platinum Infrastructure Pvt. Ltd.	AAFCP4197D
4	Ad Advertising Pvt. Ltd.	AAJCA3551C
5	Artifice Properties Pvt. Ltd.	AAGCA5140E
6	Best Health Management Private Limited	AACCB3144P
7	Devera Developers Private Limited	AADCB1809L
8	Vitoba Realtors Private Limited	AAACV5887D
9	Fern Healthcare Pvt. Ltd.	AACCR3509E
10	Modland Wears Pvt. Ltd.	AAACM0216F
11	Rosestar Marketing Pvt. Ltd.	AAFCR2252M
12	Star Artworks Pvt. Ltd.	AAVCS7590R
13	Tripoli Investment & Trading Co.	AAACT2207P
14	Volga Management and Consultancy Pvt. Ltd.	AATPS0941B
15	Zolton Properties Pvt. Ltd.	AAACZ2996D
16	A&A Capital Financial Service Limited	AABCA1051H
17	Gurudev Financial Services Private Limited	AAACG0278K
18	Tara Alloys Limited	AAACT0545N
19	Sridham Distributors Private Limited	AAFCA0211M
20	DBS Bank India Ltd.	AAGCD5838A

21	SREI Infrastructure Finance Limited	AAACS1425L
22	Torus Buildcon Private Limited	AACCT8158M
23	Ranchem Private Limited	AAACR6356G
24	Saubhagya Buildcon Private Limited	AALCS1157L
25	Fortis Healthcare Holdings Private Limited	AAACF6715A
26	Prius Real Estate Private Limited	AAFCP3549R
27	Oscar Investments Limited	AAACO1722C
28	Nishu Finlease Private Limited	AAACN3613M
29	Neelanchal Holdings Private Limited	AAACN0183G
30	Arihant Advertising Private Limited	AAACA5759P
31	Carol Securities Private Limited	AACCC7690K
32	VSB Investment Private Limited	AABCV7492B
33	Yashodham Merchants Private Limited	AAACY1075E
34	Nikhil Holdings Private Limited	AAACN8768K
35	Best Healthcare Private Limited	AADCB1811A
36	Green Biofuels Farms Private Limited	AACCG8296R
37	TCK Finance and Leasing Private Limited	AABCT2030P
38	Decent Financial Services Private Limited	AAACD2899P
39	Kalyan Vyapaar Private Limited	AABCK1377N
40	Spinstar Finvest Private Limited	AAACV9576H
41	Symphony Merchants Private Limited	AADCS5411K
42	Annies Apparel Private Limited	AACCA3945M
43	Rexcin Finance Private Limited	AADCR6690P
44	Mr. Sunil Kumar Garg	AADPG6880D
45	Mr. Maninder Singh	AATPS5325H
46	Mr. Daljit Singh	AKLPS6034R
47	Mr. Avinash Chander Mahajan	AAXPM0460B
49	Mr. Bipin Kabra	AAKPK5706B
50	Mr. Nalin Nayyar	AFOPN9273P
51	Mr. Shachindra Nath	ABOPN3798F
52	Mr. Harpal Singh	ABEPS1662H

D. V. Sharma

Securities and Exchange Board of India Act, 1992 ★ भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, १९९२ के अधीन निर्णायक अधिकारी Adjudicating Officer under

53	Mr. Rashi Dhir	APIPD0750P
54	Mr. H Srikrishnan	AHWPS1055N
55	Mr. Achal Ghai	AJYPG0375P
56	Mrs. Kanchan Jain	AAFPJ9532M
57	Mr. Hemant Dhingra	ADPPD0934Q
58	Mr. Ravi Umesh Mehrotra	AADPM4128J
59	Mr. Virender Kumar Madan	AAAPM1483H
60	Mr. Padam Narain Bahl	AAZPB7527L
61	Mr. Ram Krishna Shetty	ALEPS4984J
62	Mr. Russell Parera	Membership no. 42190
63	Mr. Partha Ghosh	Membership no. F-55913

1. The instant adjudication proceeding involves complex web of transactions whereby the funds of a listed company Religare Enterprises Limited (REL) were diverted through its material subsidiary viz. Religare Finvest Ltd. (RFL) for the ultimate benefit of the erstwhile promoters and were also misutilised for repayment of earlier loans taken from RFL. Therefore, it is felt appropriate to deal with the allegations against all the noticees in this order. The adjudication proceedings against the Noticee No. 48 have been disposed vide Settlement Order dated May 31, 2022. Hence, this order deals with the allegations levelled against 62 entities in the SCN. As the consolidated order is passed in order to avoid repetitions of the contentions at multiple places, this order deals with (I) preliminary portion as background of the case, (II) service of SCN, replies, hearings and factual consideration of allegations of noticee specific, (III) common contentions and legal issues raised by the noticees, (IV) findings on the role of and violations committed the noticees and (V) penalty in respect of each of the noticees.

I. BACKGROUND AND FACTUAL DETAILS OF THE CASE

2. REL is a company whose shares are listed on Bombay Stock Exchange Limited ("BSE") and National Stock Exchange Limited ("NSE"). Securities and Exchange Board of India ("SEBI") received complaints during January and February, 2018 on behalf of the shareholders against the Company inter alia alleging financial mismanagement and diversion of funds primarily in RFL, a material subsidiary of the REL, for the benefit of the promoters / promoter group companies of REL.

3. Pursuant to the above, an investigation was initiated to examine the aforesaid allegation regarding diversion of funds from RFL which is a material subsidiary of REL, a listed company, and its subsidiaries for the benefit of REL's promoters / promoter connected entities and to ascertain whether there was any violation of the provisions of the SEBI Act, 1992 and/or SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations") and/or any other Rules or Regulations made by SEBI, during the period between April 01, 2011 to March 31, 2018 (hereinafter referred to as 'Investigation Period / IP').

4. In view of large number of entities, multiple fund transactions and voluminous data to be analysed in the matter, a forensic auditor *viz*, MSA Probe Consulting Pvt. Ltd (hereinafter referred to as "MSA / Forensic Auditor") was appointed on May 10, 2018 by SEBI to examine the alleged diversion of funds from REL and its subsidiaries for the benefit of promoter and promoter connected entities. Accordingly, the Forensic Audit Report (FAR) submitted by MSA *inter-alia* concluded as under:

4.1 Funds amounting to Rs. 2315.09 crores had been diverted from the books of RFL for the utilisation of RHC Holding Private Limited (RHC Holding) and other related entities. The details of the was as under: -

Table 1: Details of funds diverted from the books of RFL

Sr. No.	Contact person for loan/Diverted through	Diverted amount (Rs. in crores)
1	FDs with LVB	729.13
2	NCDs/Loan to OSPL and BRNL	250.00
3	Loans entities where Sanjay Gupta/ Mr. Sanjeev Singhal and Mr. Sandeep Shukla were contact persons	1260.96
4	REL Group Entities	75.00
	Total	**2315.09**

4.2 Apart from the above, FAR observed that various loans given to the entities and its repayments as mentioned in the audit report had been routed on the same day or within couple of the days from RFL to promoter or related entities.

4.3 It was also noted in the FAR that such diversion of funds from RFL (unlisted entity) had an adverse impact on the shareholders of REL, which is a listed company, in view of the following:

(i) The investment by the listed company viz. REL in RFL amounting to Rs. 2090.34 crores comprises 89.78% of the net worth of the REL as the total standalone net-worth (aggregate of Share Capital and Reserves & Surplus) of REL as on March 31, 2018 was Rs. 2328.22 crores.

(ii) REL holds 85% ownership in RFL as on March 31, 2018 due to which they are required to consolidate the financial accounts of RFL as per extant Indian Accounting Standards.

5. SEBI Interim and Confirmatory Order

5.1. In view of the observations of the FAR and interim order dated March 14, 2019 was passed by SEBI in which it has been observed that the interest of shareholders of REL was affected as funds to the tune of Rs. 2315.09 crore (approx.) had moved out from a listed company for the ultimate benefit of promoters of REL. Hence, there was a need of an urgent intervention by directing the listed company (REL) to take all necessary steps to recover the principal amount of Rs. 2315.09 crore (approx.) along with the interest. Accordingly, pending investigation, the said Interim Order was passed which read with corrigendum dated April 18, 2019, inter-alia directed as under:

(i) REL and RFL shall initiate steps to recall all the loans amounting to Rs. 2315.09 extended to the borrower entities.

(ii) The borrower entities, pending completion of the investigation and till further orders, shall 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) *Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions.*

5.2. SEBI also passed a Confirmatory Order dated September 11, 2019 in which the directions in the aforesaid two interim orders were inter-alia confirmed subject to the modification as under:

(i) REL and RFL shall continue with the steps to recall all the loans amounting to Rs. 2065.09 extended to the borrower entities. However, the said direction was modified to the extent that the borrower entities excluded Bharat Road Network Ltd. (BRNL) and Religare Comtrade Limited (RCTL).

(ii) The borrower entities, pending completion of the investigation and till further orders, shall 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.

D.V.S.

Adjudicating Officer under Securities and Exchange Board of India Act, 1992

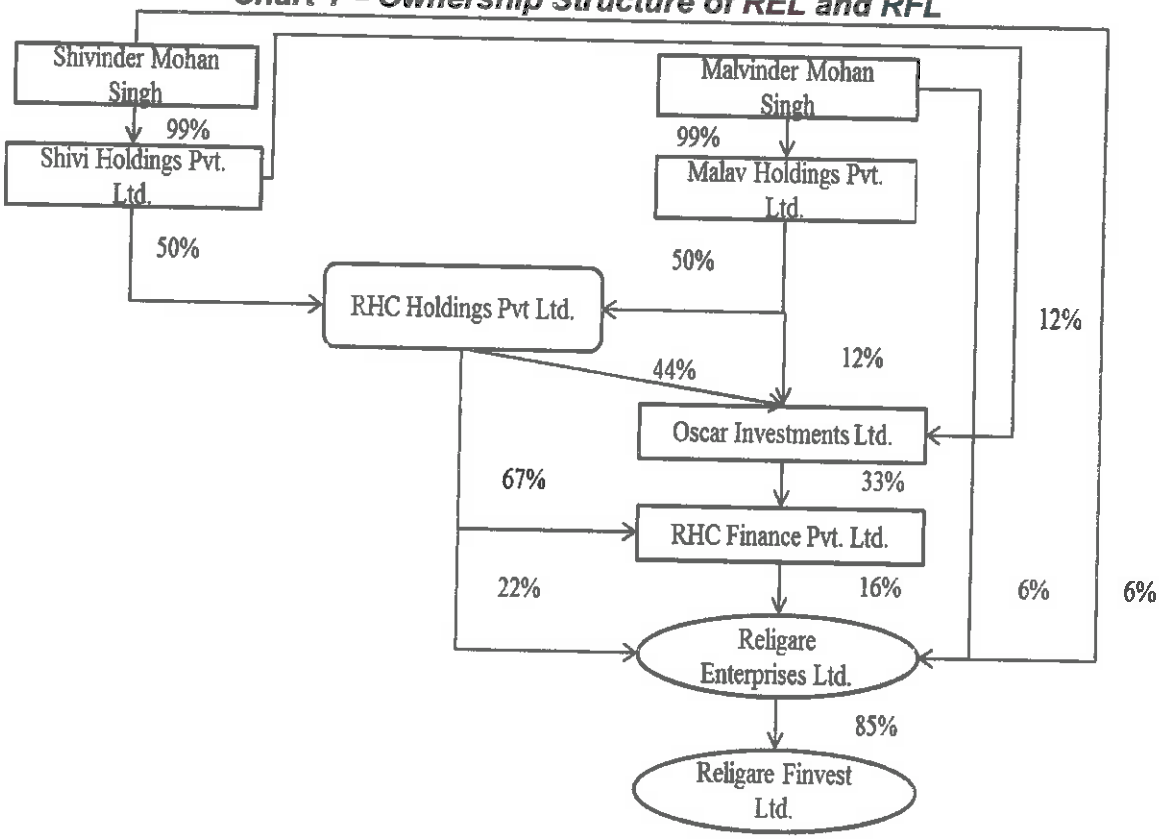
(iii) However, the direction of not disposing assets or diverting funds was revoked qua BRNL and RCL.

(iv) Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions.

6. Pursuant to receipt of the aforesaid FAR on December 12, 2018, SEBI had investigated the matter and completed in October 2020. The whole scheme of diversion of funds of RFL as explained in the Investigation Report is as under:

6.1. Ownership Structure of REL and RFL – The ownership structure of REL and RFL as on March 31, 2017 is shown below for easy reference:

Chart 1 – Ownership Structure of REL and RFL



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

From the above, it was observed that the primary shareholder of REL during the IP were RHC Holdings Private Limited and RHC Finance Pvt Ltd. These RHC group companies were inturn, held by SMS and MMS through Shivi Holdings Private Limited and Malav Holdings Private Limited. Thus, MMS and SMS, through entities controlled by them, were the controlling shareholders and promoters of REL.

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6.2. The findings of MSA Report and the investigation analysis is discussed in detail under the following heads:

6.2(A) Fixed Deposits of Rs. 750 Crores placed by RFL with Lakshmi Vilas Bank

Lakshmi Vilas Bank (LVB) gave loans of Rs. 729.13 crores to Ranchem Private Limited ("Ranchem") and RHC Holding which were the promoter group entities of REL. Further, RHC Holding utilised these funds to pay off its debts to multiple parties and for internal purposes. It was observed that RFL had placed following fixed deposits of Rs. 750 crores with LVB during 2016-2017:-

Date	FD Opened by	Amount	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**		

Further, it was observed that loans amounting to Rs. 729.13 Crores were claimed to have been given against the said FDs to the promoters and its related entities namely Ranchem and RHC Holding during the same period. The details of said loans are as follows:

Date	Loan Given to	Amount	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**	

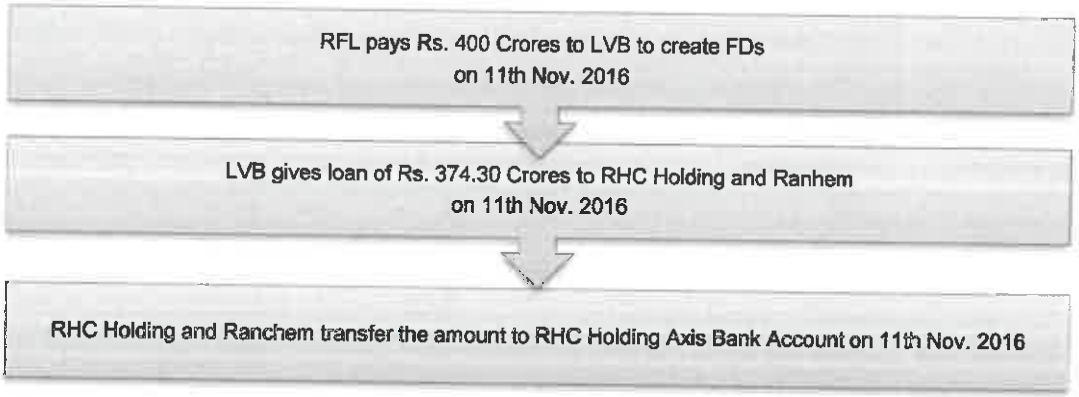
RHC Holding used these loan amounts to pay off its debts and for internal use. The aforesaid FDs were rolled over multiple times till LVB first adjusted them in July 2017 against the loans it had given to RHC and Ranchem due to non-repayment of loans. Thereafter, LVB restored the said fixed deposits in November 2017 as per the settlement terms executed between LVB and Religare Group companies. However, due to subsisting default, LVB again foreclosed and appropriated the FDs towards outstanding loan amounts.

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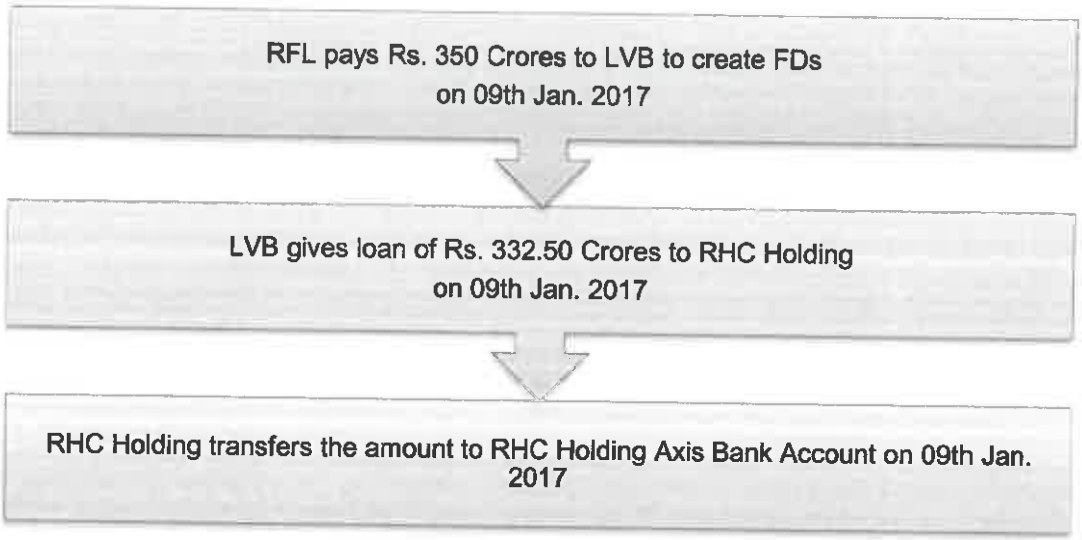
on February 20, 2018. The movement of funds pursuant to the aforesaid FDs and loans have been shown in the following diagrams: -

1st FDs of Rs. 400 Crores (210+190) placed by RFL with LVB on 11th Nov 2016



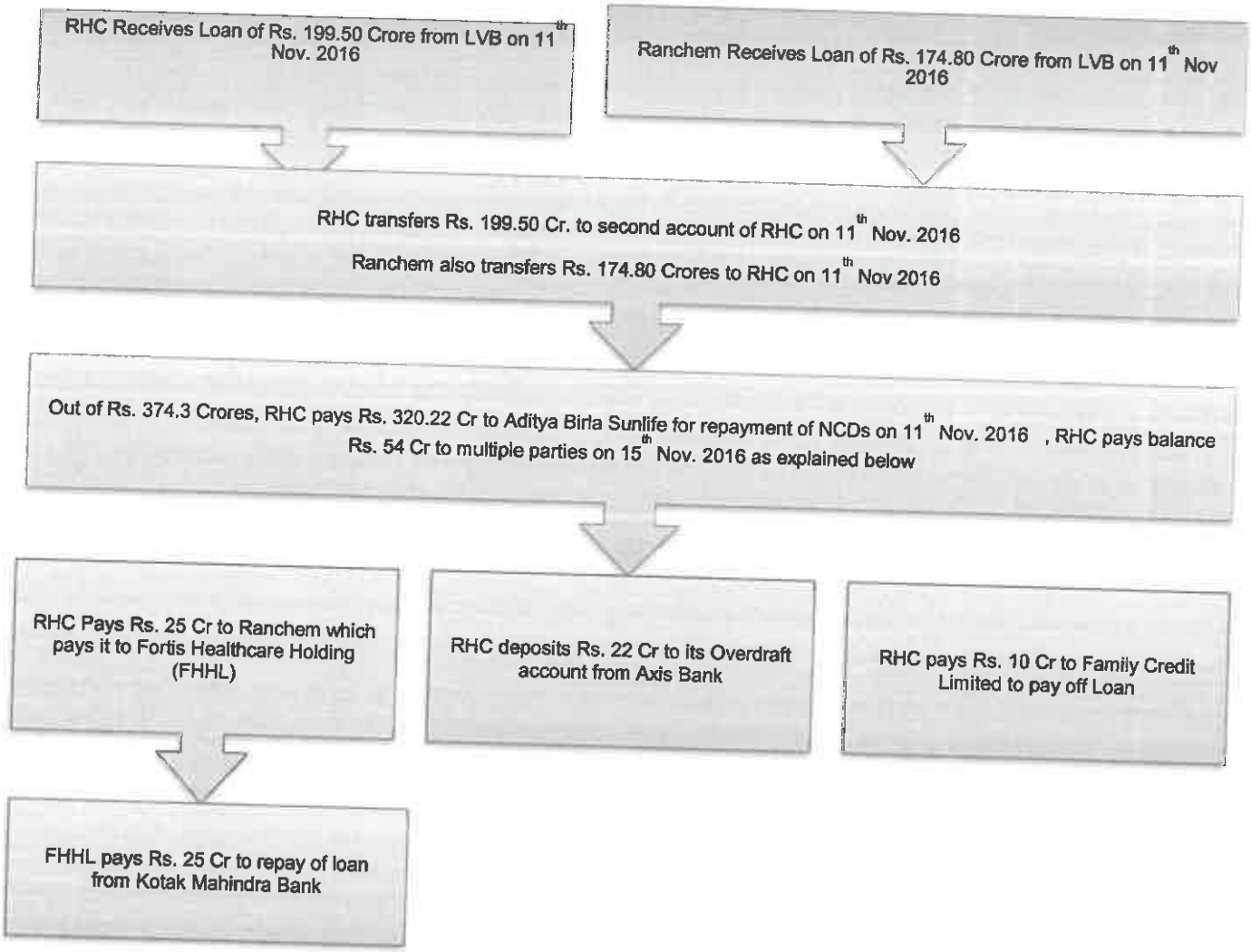
Additional Loan of Rs. 22.33 Crores was given by LVB to RHC Holding (Rs. 8.84 Crores) and Ranchem (Rs. 13.49 Crores) on 31st December 2016, which was further transferred to RHC Holding Axis Bank Account on the same day. Thus, cumulative loan of Rs. 396.63 crores was given by LVB to RHC Holding and Ranchem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

2nd FDs of Rs. 350 Crores (150+200) placed by RFL with LVB on 09th Jan 2017

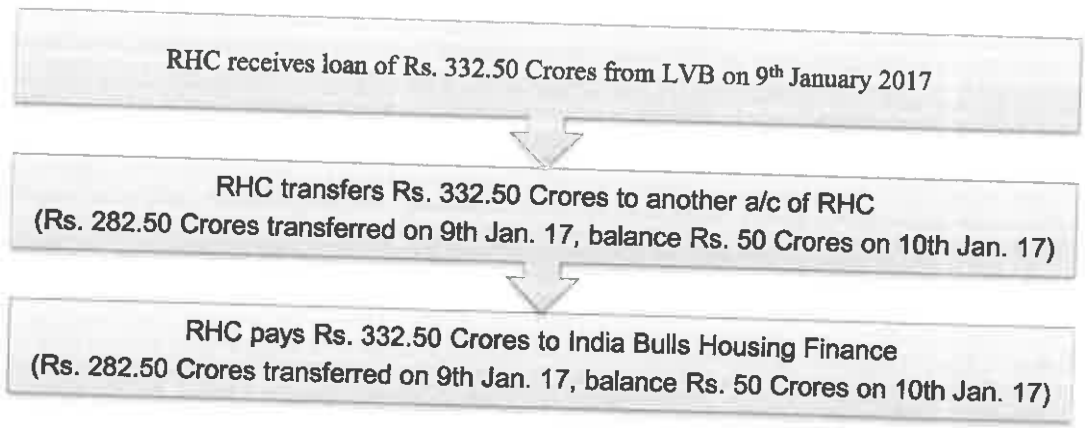


The utilisation of aforesaid loans given to RHC Holding and Ranchem were analysed and the investigation has noted that these promoter group entities had utilized the said money to pay off their debts to multiple entities and for internal purposes. The pictorial presentation of the utilization of the loans taken by RHC Holding and Ranchem are as follows: -

(a)Utilisation of Loans of Rs. 374.30 Crore given on November 11, 2016 to RHC Holding and Ranchem:



(b) Utilisation of Loan of Rs. 332.50 Crores given on January 09, 2017:



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

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**		

The investigation has analysed the role of LVB, RFL and the officials of RFL and concluded as under-

(a) RHC Holding and Ranchem vide emails dated November 10, 2016 and January 07, 2017 requested LVB for grant of loan against deposits by their group companies. RFL vide email dated November 11, 2016 and January 09, 2017 requested LVB for creation of FDs, however, there was no mention of creating any security against the said FDs.

(b) RFL forwarded a copy of first FD letter to the representative of RHC Holding and Ranchem, in which also there was no mention of creating any security against the said FD.

(c) There were no specific and written communication by RFL for creation of security against FDs for grant of loans to RHC Holding and Ranchem. Although RHC and Ranchem signatories have signed on the application form in this regard, there was no signature of the depositor i.e RFL on the same. LVB has confirmed that LVB branch officials followed up orally with RFL's officers for execution of documentation, however, no letter was issued in this regard before July 2017.

(d) LVB has stated that SMS confirmation on creation of security against FDs of RFL was sent to the authorised representative of RFL, however RFL's authorised representative has contended he used to received various auto-generated

messages from more than 30 banks and hence, the same cannot be considered as creation of security.

(e) LVB has stated that it had sent email dated December 16, 2016 to RFL wherein it was mentioned that FDs were kept as security for the deposit loan extended to RHC Holding and Ranchem to which there was no denial from RFL. Thus, it is seen that RFL did receive intimation regarding creation of security against FDs and did not refute the same.

(f) It is seen that despite FDs being opened by LVB by debiting their account in November 2016, RFL had issued two post-dated cheques for the same amount. In this regard, LVB has claimed that the said post-dated cheques were security against loans to RHC Holding and Ranchem. RFL on the other hand has stated that the same were for opening of FDs only.

(g) The investigation also noted that the original FDs in favour of RFL continue to be with LVB which has claimed that the same is the proof for creation of security against the loans to RHC Holding and Ranchem.

(h) RFL has claimed that a letter dated November 30, 2016 of LVB is a proof that the FDs were free from encumbrance. However, LVB claimed that the same was forged and fabricated and the dispute on the same is pending before the Hon'ble Delhi High Court also.

Thus, the investigation has concluded that while 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, there were no documentation which could be considered as express authorisation by RFL for creation of lien on their FDs. Thus, it is seen that LVB acted on the premise that the three companies i.e, RFL, RHC Holding and Ranchem were group companies under the same promoters and created security against FDs of RFL without ensuring proper authorisation of the same by RFL.

As has been discussed above, the loans given by LVB to RHC Holding and Ranchem 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. Therefore, the investigation has concluded that the beneficiary of the funds of RFL to the tune of Rs 729.13 crores were actually RHC Holding and in the absence of

adequate documentation to support express authorisation by RFL in this regard, it is concluded that LVB aided the promoters of RFL to divert funds for their own benefit.

6.2(B) Non-convertible Debentures (NCD) of OSPL Infradeal Private Limited ("OSPL") and Corporate Loan to Bharat Road Network Limited ("BRNL")

The investigation has noted that RFL had made investments of Rs. 200 Crores in the Non-convertible debentures (NCDs) 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. The details are as under:

Bharat Road Network Limited

The investigation noted that the shareholding of BRNL during the period from 31st March 2016 till 31st March 2018 and it was concluded that BRNL was a SREI group controlled entity as more than 80% share were held by SREI group entities.

OSPL Infradeal Private Limited

The investigation noted from the available financial statements of OSPL for FY 2014-15 till 2016-17, that OSPL did not own any asset apart from the investments in the shares of BRNL and that there were no business operations and that the financial statements of OSPL did not comprise of Profit and Loss accounts since incorporation till F.Y. 2016-17.

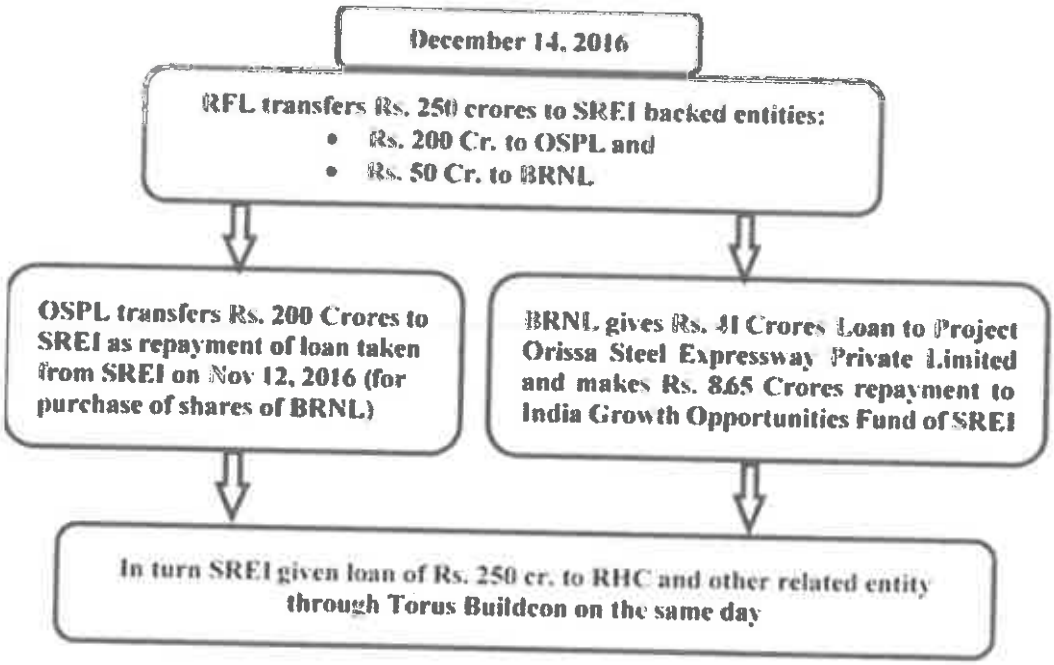
The investigation noted that loans were part of back to back loan transactions entered by RFL with OSPL & BRNL (backed by SREI Infrastructure Limited "SREI") and with the promoter group company RHC Holding on December 14, 2016. The loan transactions were carried out in the following manner:

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

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

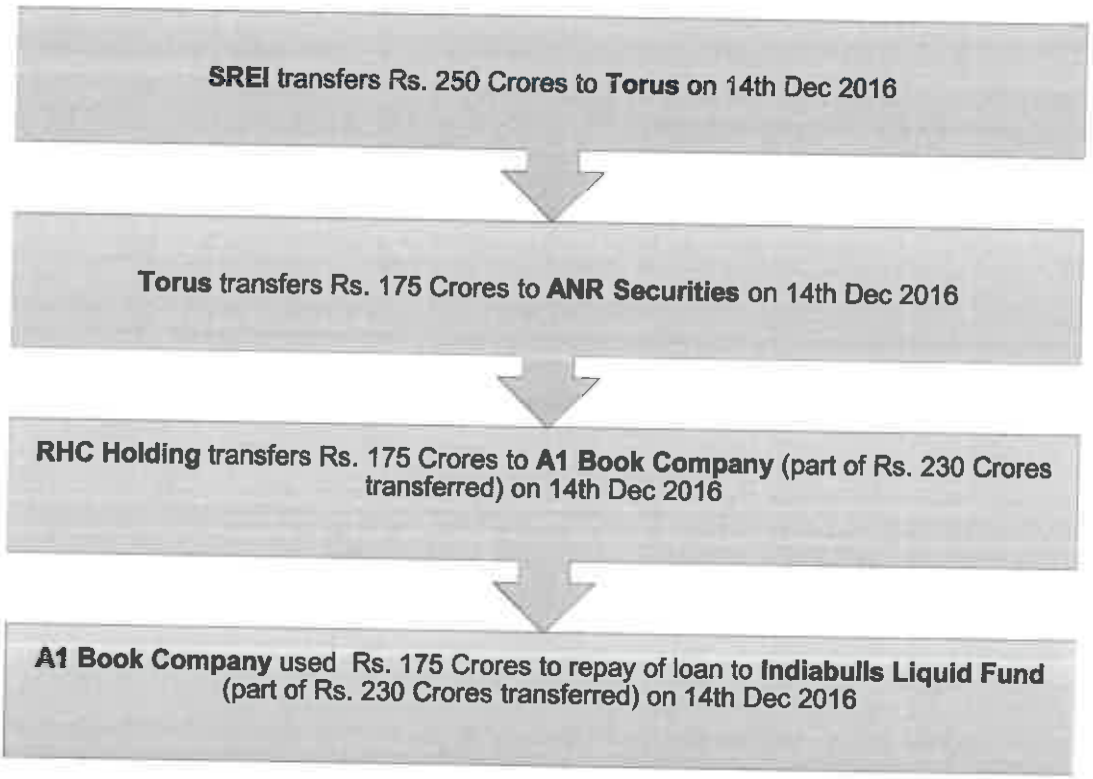
iii. SREI had given loan of Rs. 195.16 Crores to OSPL on November 12, 2016 and on the same day, OSPL had invested the said money in the shares of BRNL. Thus, it was concluded that SREI had financed the purchase of shares of BRNL by OSPL.

iv. OSPL didn't have any means to pay back the aforesaid loan. Therefore, SREI wanted a third party to give Rs. 200 Crores to OSPL to clear off its debt with SREI and avoid declaring an NPA. Thus, SREI entered into an arrangement of back to back loan transaction with RHC Holding. Thus, as seen in the diagram below, as per the arrangement with SREI, RFL gave Rs. 200 crores to OSPL and Rs. 50 Crores to BRNL. 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.

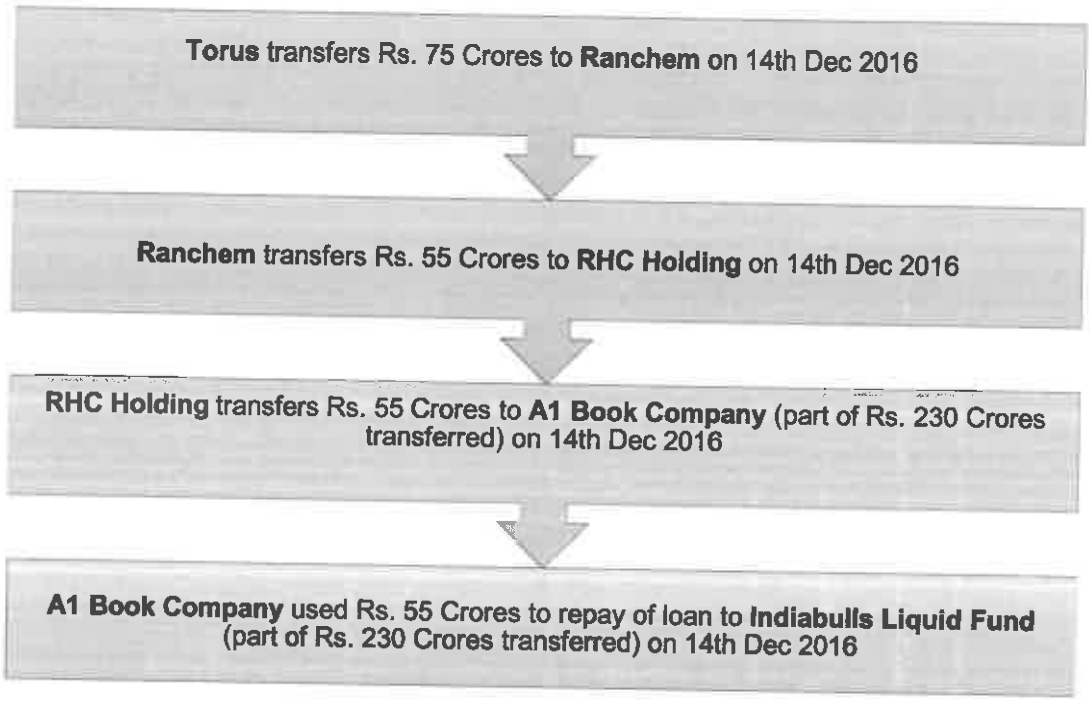


The investigation noted that the ultimate beneficiaries of the aforesaid loan of Rs. 250 Crores Rs. 250 Crores transferred by SREI to Torus Buildcon were the entities related to the promoters of REL/RFL and the details are as under in two tranches-

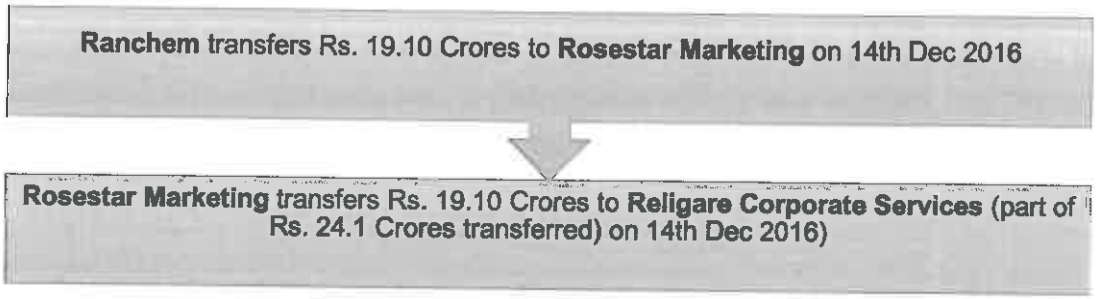
Tranche 1:



Tranche 2:



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 A1 Book Company. The movement of the balance funds from the account of Ranchem is shown below:



It was noted that Religare Corporate Services Ltd (now called Finserve Shared Services Pvt Ltd) is a wholly owned subsidiary of RHC Holding. The ultimate beneficiaries of the abovementioned Rs. 250 crores are as follows: -

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**

With respect to the investment of Rs. 50 Crores towards NCDs of BRNL by RFL, as BRNL failed to allot the NCDs, RFL converted the same into corporate loan and made part of their CLB. In this connection, investigation has noted that BRNL has repaid the outstanding amount of Rs. 51,30,13,700/-, due to RFL towards the said loan of Rs. 50 Crores.

With regard to the NCDs of OSPL, the investigation noted the following: -

a) OSPL was holding 17.42% shares in BRNL, which was 99.99% of total assets of OSPL.
b) OSPL did not have any business operations at the time of approval of aforesaid investments and no due diligence of financials of the OSPL was carried out by RFL at the time of approval of the aforesaid investment.
c) The investments in said NCDs which were unrated was against the investment policy of RFL. The said policy mandated the credit rating of the Issuer to be a deciding

parameter for making an investment and all investments proposed by Treasury to be in rated bonds with rating of A 1+ (ST) or AA- (LT).

The investigation has noted that the following persons had approved the aforesaid investment in NCDs/loans of BRNL and OSPL: -

Sr. No.	Name of the Member
1	Mr. Kavi Arora
2	Mr. Avinash Chander Mahajan
3	Mr. Daljit Singh
4	Mr. Maninder Singh

The investigation noted that: -

a) 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.

b) 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. Thus, RFL first extended loan of Rs. 200 crores to OSPL, which was utilized by OSPL to pay off the loan from SREI. Further, a loan of Rs. 50 crores were extended by RFL to BRNL. Based on the same, SREI gave an equal amount of loan of Rs. 250 crores to the REL's promoter group entity i.e. RHC Holding through Torus.

c) At the end of the loan tenure, i.e. on December 14, 2017, RHC Holding was unable to service its loan taken through Torus from SREI. Consequently, even SREI did not repay the loan it had taken from RFL in the books of OSPL. Thus, loans granted by RFL to the extent of Rs 200 crores to OSPL remained unpaid and the same was concluded to have been diverted for the benefit of RHC Holding through A1 Book Company for repayment of its loans taken from mutual funds and Religare Corporate Services.

6.2(C) Corporate Loan Book (CLB) in respect of which RBI made adverse comments and Investment in Commercial Papers of Religare Group Companies and Promoter Group Companies

RFL had given unsecured loans to a number of entities under its Corporate Loan Book (CLB). In this regard, RBI had been raising concerns over such loans given under the CLB. However, the CLB exposure had actually increased from Rs. 1846 Crores as on March 31, 2017 to Rs. 2517 Crores as on October 31, 2017. The details of the loan outstanding as on May 31, 2018 under the Corporate Loan Book of RFL which were categorised under different groups based on common contact persons as under:

Sl. No.	Borrower Name	Principal O/s as on May 31, 2018 (Rs. In Crores)	Borrower contact person - provided by REL
1	Artifice Properties Pvt. Ltd.	165.00	Group-1
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	
8	Ad Advertising Pvt. Ltd.	100.00	
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	Group -2
16	Gurudev Financial Services Pvt. Ltd	100.00	
17	Tara Alloys Ltd.	85.00	
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	
	Total	**2,397.20**	

**As mentioned above BRNL has repaid the outstanding amount*

6.2 (C.1) Group-1 Companies

(a) Loan Given by RFL to Artifice Properties Private Limited (Artifice)

The investigation has observed that RFL gave loan of Rs. 165 Crore to Artifice 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

Financial status (Rs. In crores)

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

The investigation has noted that the amount of aforesaid loans had been ultimately transferred to RHC Holding through various entities as narrated below: -

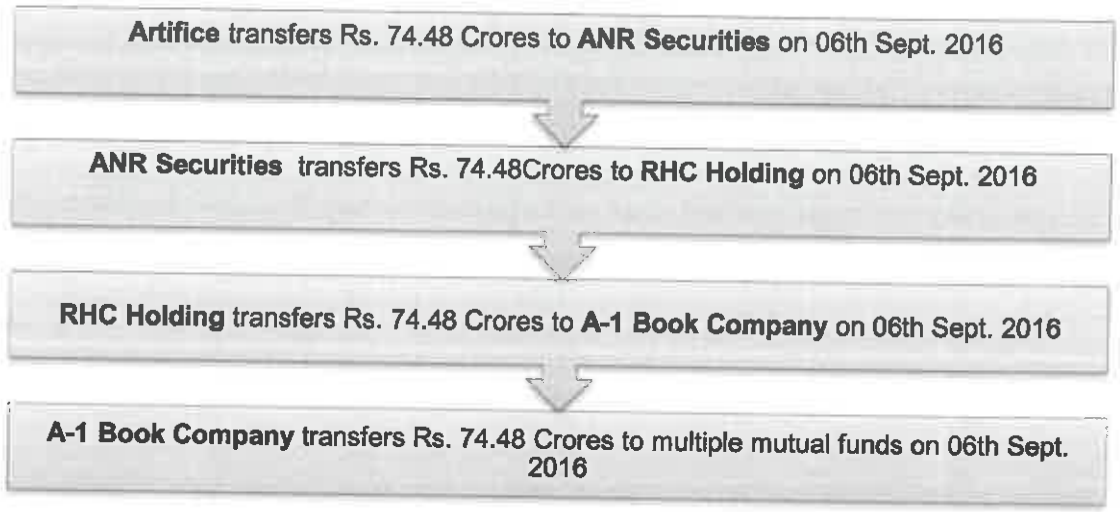
RFL transfers Rs. 165 Crores to **Artifice** on 02nd Sept. 2016

↓

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

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 later part relating to A&A Capital. As regards Rs. 74.48 Crores transferred to ANR Securities, the utilisation of the said funds are as under: -

D.V.Seth



(b) Loan Given by RFL to Best Health Management Private Limited (BHMPL), Devera Developers (Devera) & Vitoba Realtors (Vitoba)

RFL had given loans amounting to Rs. 40 Crores, Rs. 40 Crores & Rs. 35 Crores to BHMPL, Devera & Vitoba respectively on March 23, 2016 based on the following terms:

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. 35crores
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 loan tenure. Prepayment as per mutual consent	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent
Security	Secured	Secured	Secured
Collateral*	Agricultural land	Agricultural land	Agricultural land

**The investigation observed that all the agricultural lands were cross linked*

The investigation has noted the following shareholding structure and the financial results of BHMPL, Devera and Vitoba:

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 (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

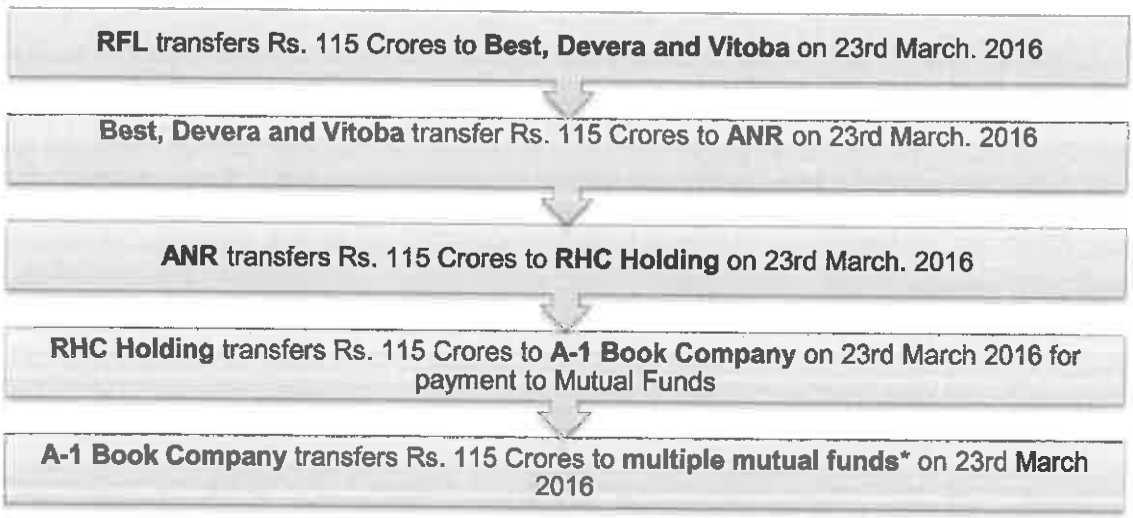
Particulars	2014-2015	2015-2016
Revenue	16.31	43.08
Profit/loss Before Tax	**-12.34**	**-12.18**
Net worth	**-6.05**	**-6.05**

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**

D.V. Sekar

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 of aforesaid funds are as follows: -



It was thus observed that funds of Rs. 115 Crore 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. (Fern)

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 was 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

The investigation has noted the following shareholding structure and the financial results of Fern:

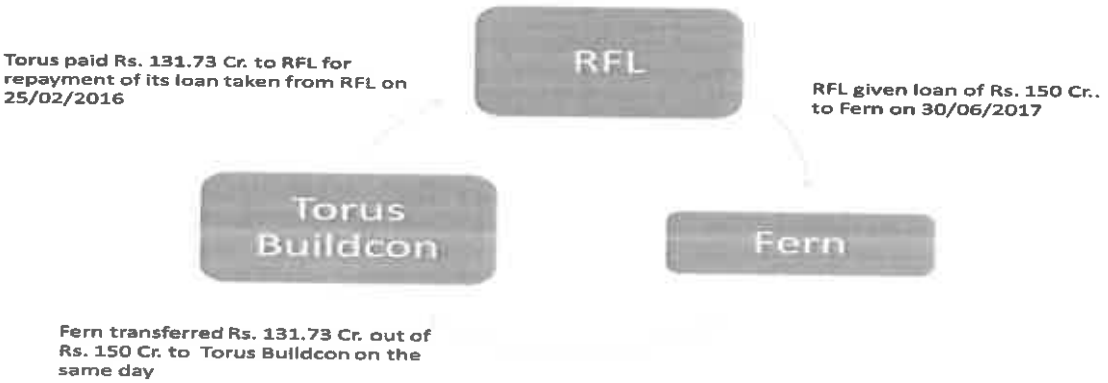
Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Tripoli Investments & Trading Co.	810197	37.34
2	Best Healthcare Private Limited	810197	37.34
3	Bhai Mohan Singh	500	0.02
4	Avtar Mohan Singh	500	0.02
5	Vitoba Realtors Private Limited	248250	11.44
6	Modland Wears Private Limited	300110	13.84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

Financial status (Rs. In crores)

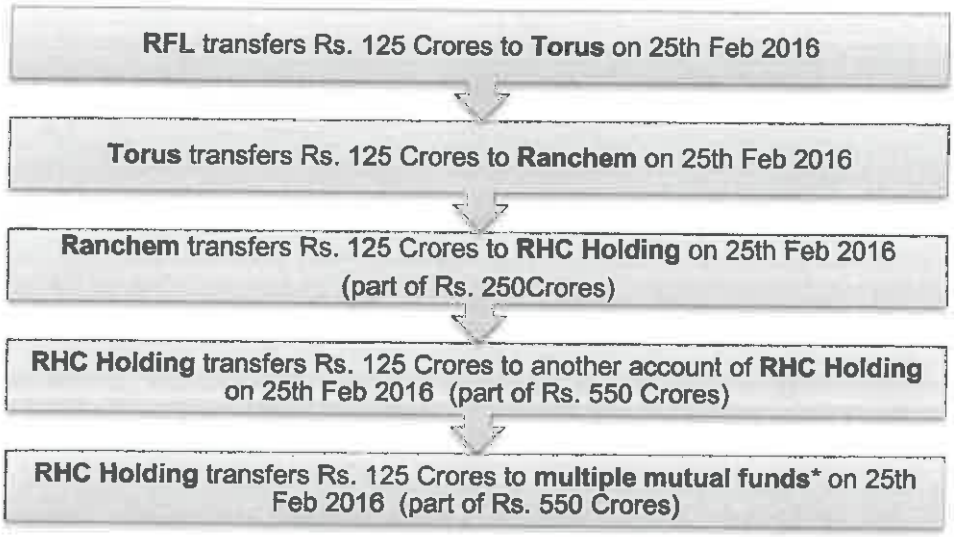
Particulars	2012-2013	2013-2014	2014-2015
Revenue	27.56	45.46	44.95
Profit/loss after Tax	**2.58**	**-43.82**	**00.89**
Adjusted Net worth	**-393.70**	**-199.23**	**-340.94**

Upon analysis of the banks statements, ledgers etc. of various entities, 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: -

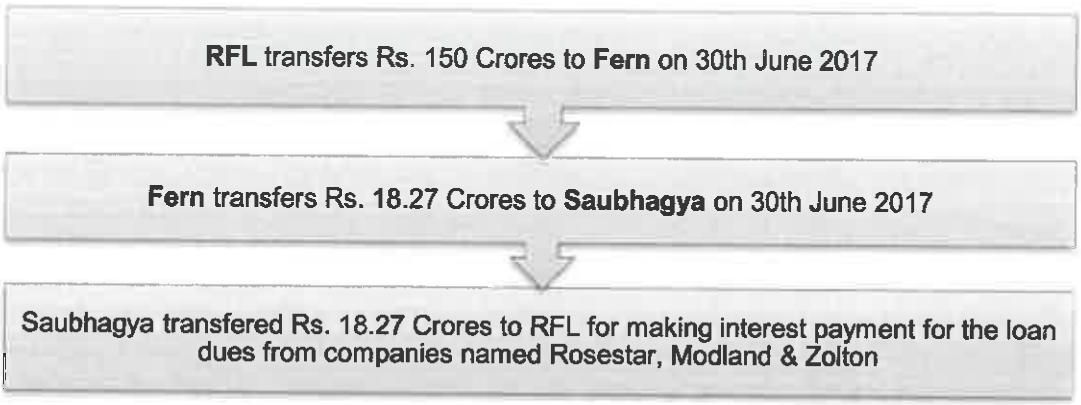
Movement of Rs. 131.73 Crores transferred by Fern to Torus Buildcon: -



Upon analysis of the utilization of loan taken by Torus Buildcon from RFL on February 25, 2016, it was observed that the loans taken from RFL by Torus Buildcon 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: -



An amount of Rs. 6.63 Crores was adjusted towards the interest liability of the Torus and the balance amount of Rs. 18.27 Crores transferred by Fern to Saubhagya on June 30, 2017 and the flow of the funds are as under:



Therefore, 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. (Modland)

The investigation observed that RFL gave loan of Rs. 155 Crores to Modland in two tranches i.e, a loan of Rs. 145 Crores on September 02, 2016 and Rs. 10 crores on September 07, 2016 to Modland as loans. 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

The investigation has noted the following shareholding structure and the financial results of Modland:

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)

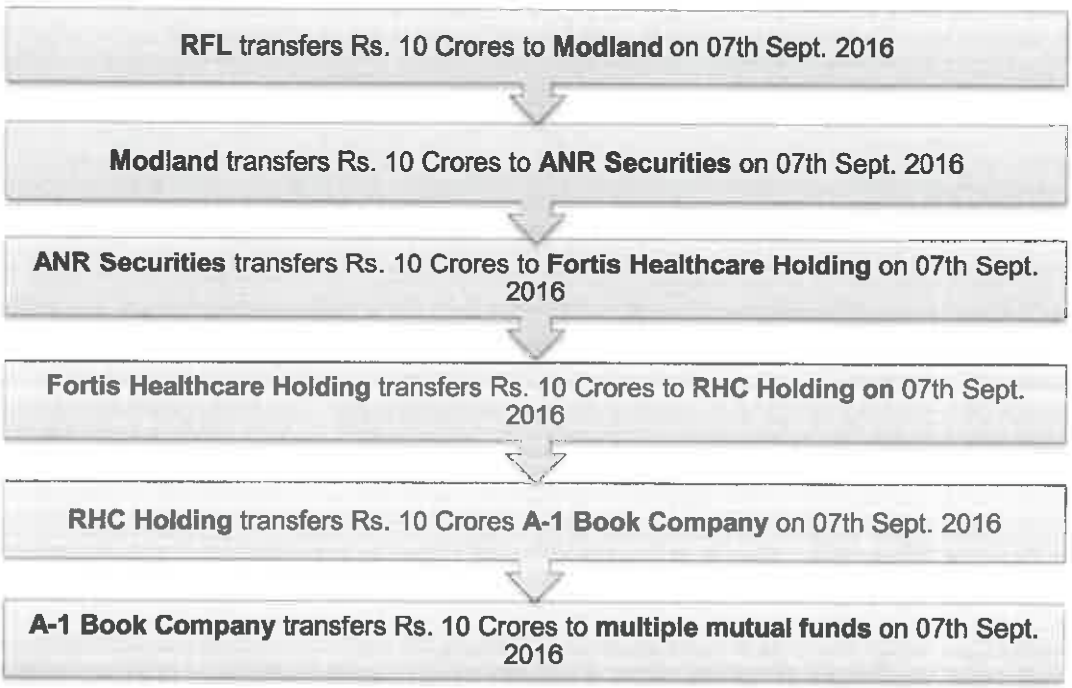
Particulars	2012-2013	2013-2014	2014-2015	2015-2016
Revenue	63.74	44.45	21.55	119.03
Profit/loss after Tax	**-38.20**	**14.37**	**12.85**	**3.75**
Adjusted Net Worth	**-345.35**	**-233.52**	**-498.22**	**-623.54**

Tranche 1: Movement of funds of Rs. 145 Crores loan to Modland

Upon 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 to Annies Apparel on September 02, 2016. The details of the same has been discussed in later part relating to Annies Apparel. Further, an amount of Rs. 22.00 Crores out of the loan of Rs. 145 Crores, had been transferred to Gurudev Financial Services Ltd. for which no adverse inference was drawn. As regards the remaining loan amount of Rs. 22.48 crores, the same was observed to have been paid back to RFL by various entities as interest repayment for their loans taken from RFL itself. The summary of the aforesaid movement of the fund is 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 M/s Gurudev Finance	22.00	
iii. Paid to Torus which it used to pay back interest to RFL		3.93
iv. 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	**117.50**	**22.48**

Tranche 2: The pictorial presentation of movement of loan of Rs. 10 crores given to Modland is as under: -



Therefore, it was observed that, 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 were 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. (Platinum)

The investigation observed that RFL gave loan amounting to Rs. 109.30 crores to Platinum on September 27, 2017. The terms of the said loanwere 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

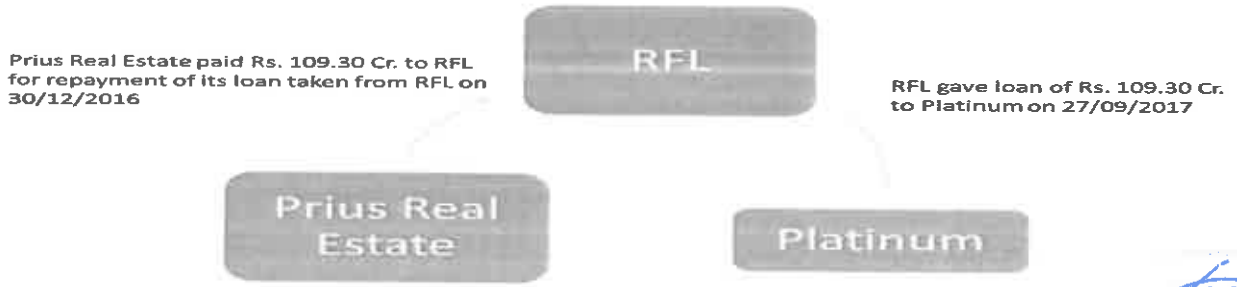
The investigation has noted the following shareholding structure and the financial results of Platinum:

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

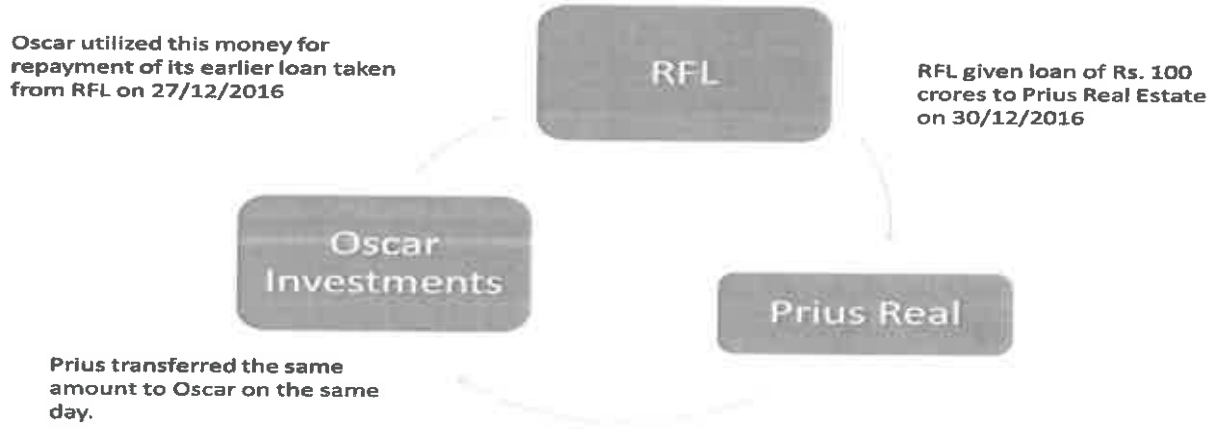
Financial status (Rs. In crores)

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

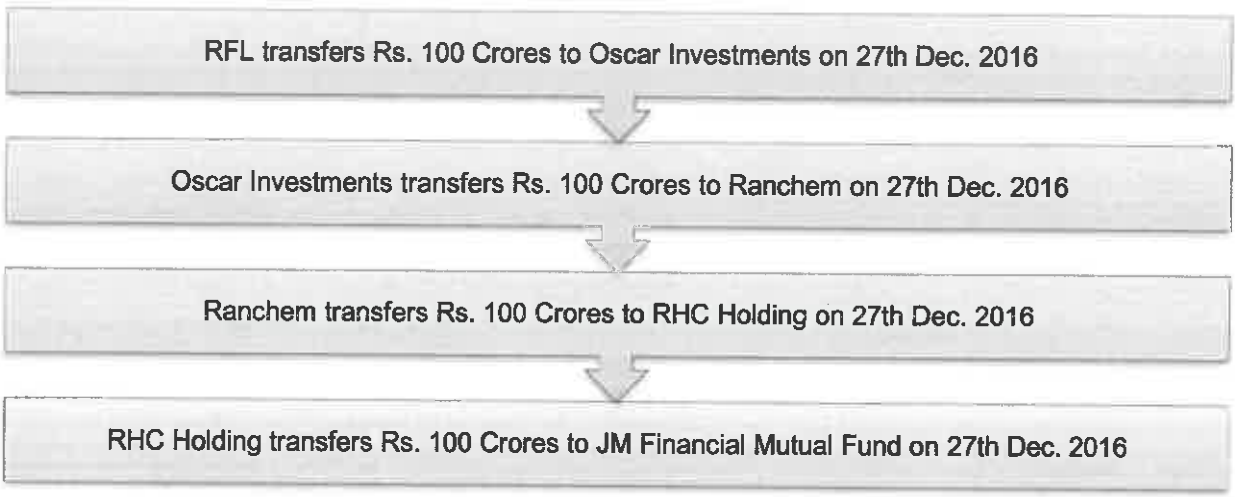
Upon perusal of Bank statements & ledgers of various entities, it was observed that Rs. 109.30crore had been utilised by RHC Holding. The details of the same are as follows:



Upon analysis of the utilisation of loan taken by Prius Real estate from RFL on December 30, 2016, it was observed that 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 and the pictorial presentation of the movement of the said loans is as follows: -



Therefore, it can be seen that an amount of Rs. 100 crores out of the loan given to Platinum was ultimately utilised by RHC Holding.

(f) Loan Given by RFL to Ad Advertising Pvt Ltd. (Ad Advertising)

The investigation observed that RFL gave loan of Rs. 100 crores to Ad Advertising on February 25, 2016 and the same had been repaid on August 31, 2016. The terms of the said loan were as follows: -

Particulars	Terms

Loan Tenure	Upto 31/03/2016
Purpose	Working Capital requirement /General Corporate purpose
Proposed loan amount	Rs.110 crores
ROI	14% p.a.
Repayment schedule	Bullet repayment at the end of the term/Prepayment as per mutual consent
Security	Unsecured
Collateral	NA

Apart from the above, RFL gave another loan of Rs. 100 crores to Ad Advertising on June 28, 2017 which was outstanding as on May 31, 2018 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

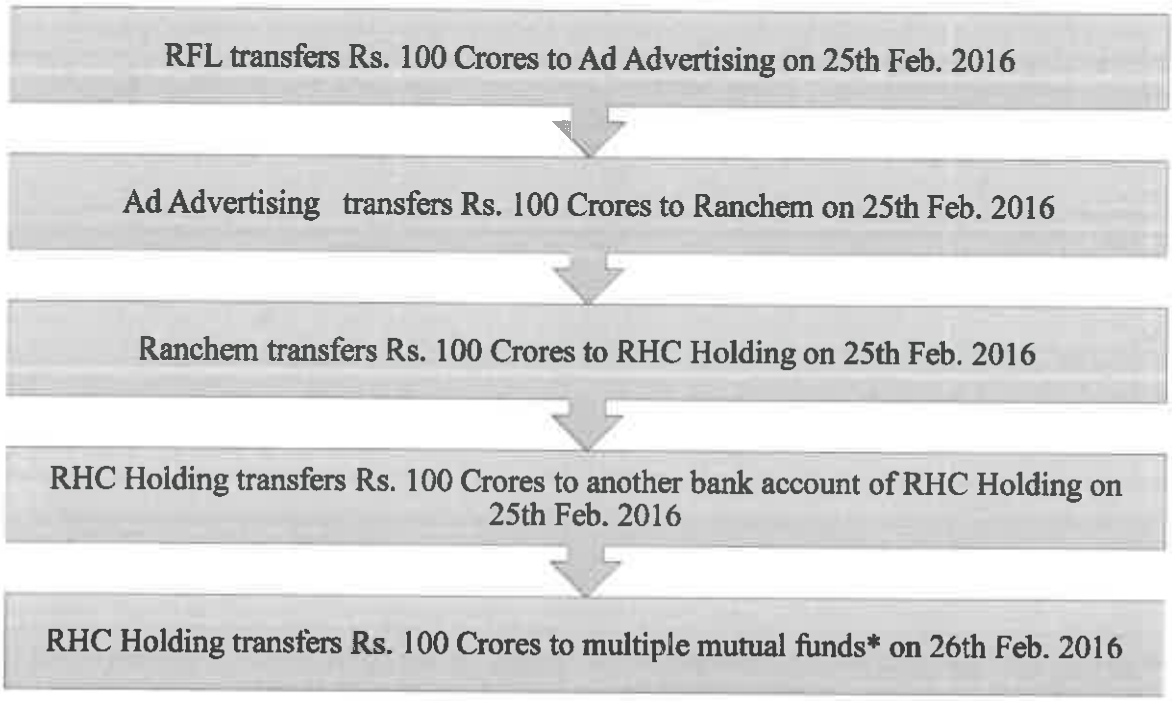
The investigation has noted the following shareholding structure and the financial results of Ad Advertising:

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**

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

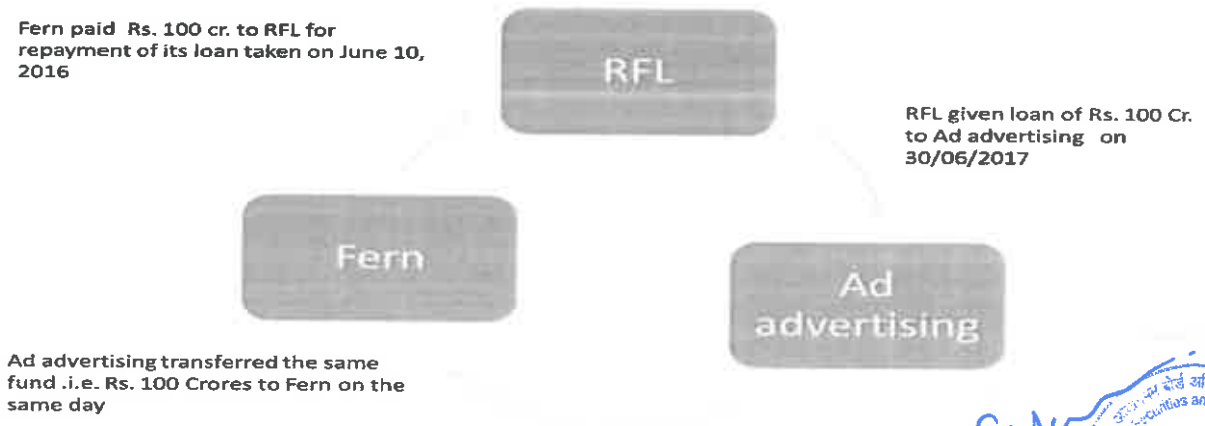
Tranche 1: Loan given to Ad Advertising on February 25, 2016 which was repaid on August 31, 2016.

Upon perusal of the bank statements & ledger, it was observed that the said fund has been transferred to RHC Holding on the same day. The pictorial presentation of the same are as follows: -

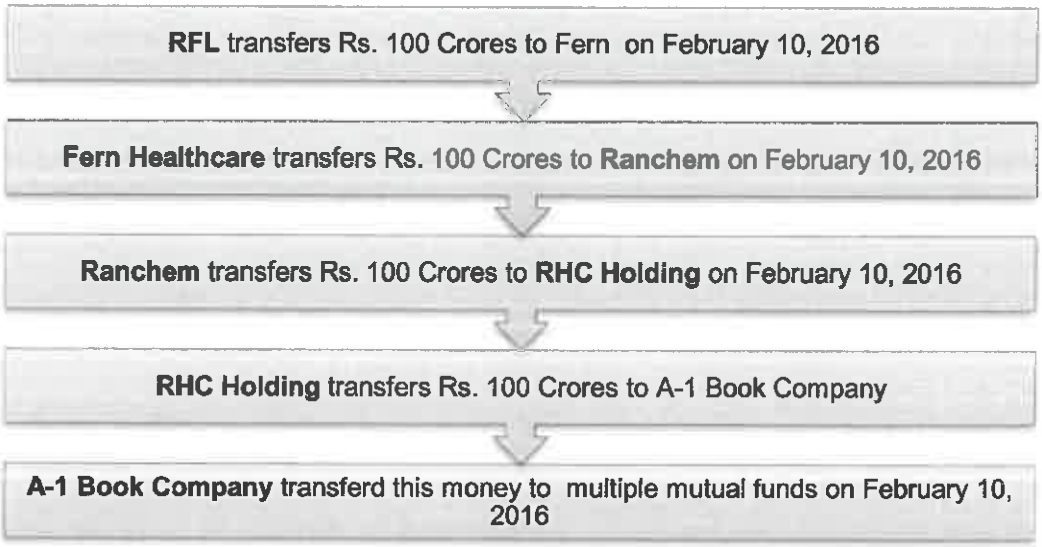


Tranche 2: Loan given to Ad Advertising on June 28, 2017 which was outstanding as on May 31, 2018

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: -



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



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

Therefore, Rs. 100 crores loan amount from RFL to Ad Advertising was ultimately diverted to RHC Holding.

(g) Loan Given by RFL to Rosestar Marketing Pvt Ltd. (Rosestar)

The investigation observed that RFL gave loan of Rs. 150 Crore to Rosestar on February 10, 2016. The terms of the said loan were as follows: -

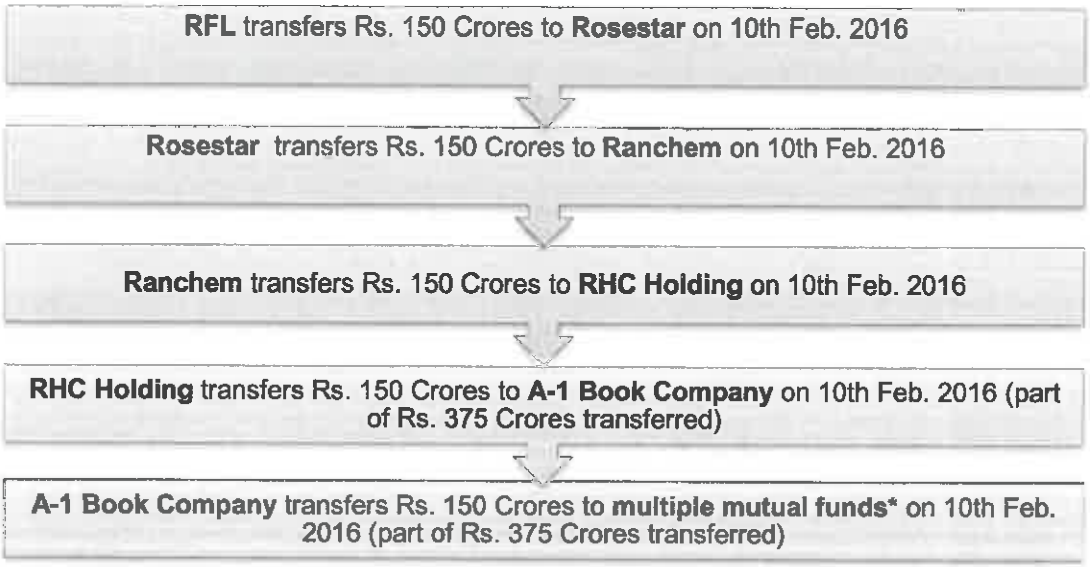
Particulars	Terms
Loan Tenure	Upto 1 year
Purpose	Short term loan for working capital purposes
Proposed loan amount	Rs.150 crores
ROI	14% p.a.
Repayment schedule	Bullet repayment at the end of the term/ Prepayment as per mutual consent
Security	Unsecured
Collateral	NA

The investigation has noted the following shareholding structure and the financial results of Rosestar:

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

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

The investigation observed that the loan given by RFL to Rosestar were ultimately utilised by RHC Holding for payment to multiple mutual funds through A1 Book Company. The pictorial representation of the the movement of the loan is, as follows:



(h) Loan Given by RFL to Star Artworks Private Limited (Star Artworks)

The investigation observed that RFL gave loan of Rs. 150 Crore to Star Artworks on August 24, 2017. The terms of the said loan were as follows: -

Particulars	Terms
Loan Tenure	12 months

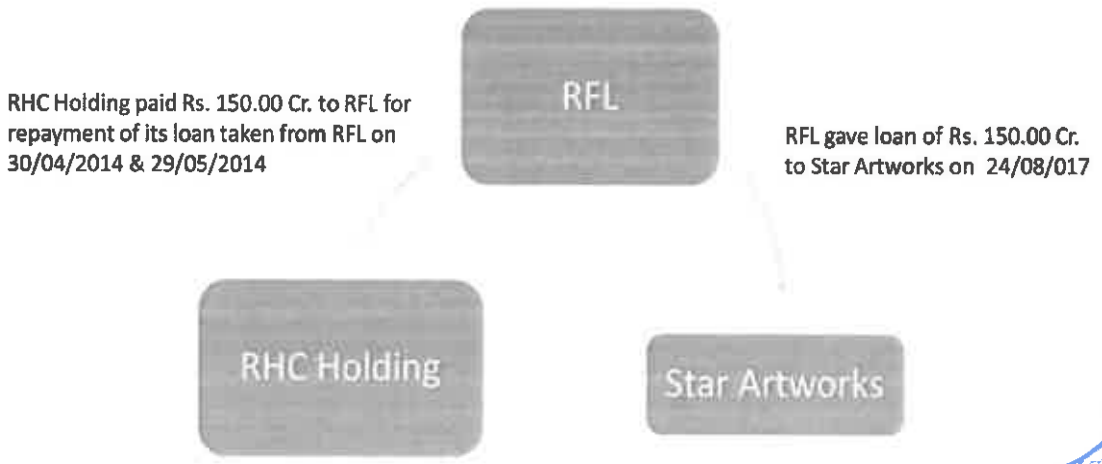
Purpose	Working Capital requirement / General corporate purpose
Proposed loan amount	Rs.150 crores
ROI	11% p.a.
Repayment schedule	-
Security	Unsecured
Collateral	None

The investigation has noted the following shareholding structure and the financial results of Star Artwork:

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

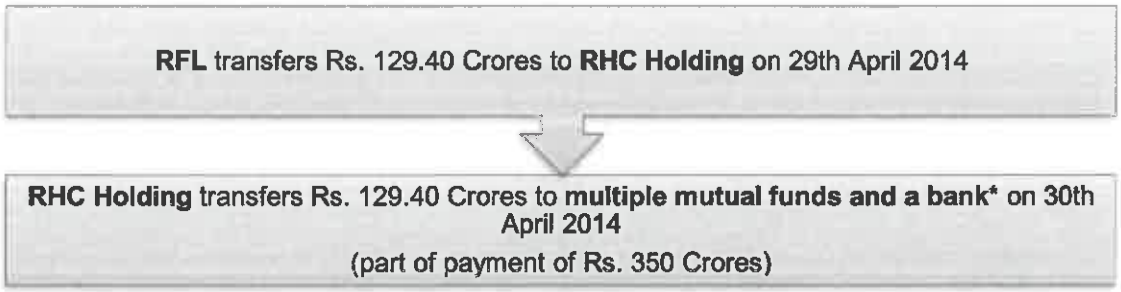
Particulars	Amount (Rs in crores)	
	2015-2016	2016-2017
Revenue	2.28	00.11
Profit after tax	**00.02**	**-00.01**
Adjusted Net Worth	**00.03**	**00.03**

The investigation observed that loan given to Star Artworks had been utilised by RHC Holding to pay off its liabilities to mutual funds and banks. The pictorial presentation of the same is as follows: -

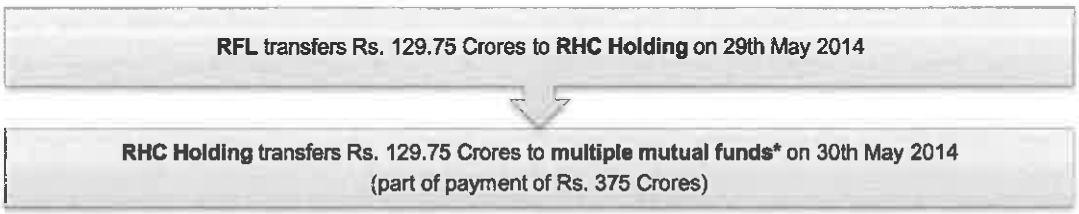


Upon analysis of the utilisation of the loans taken on April 30, 2014 & May 29, 2014 it was observed that the said loans were utilised by RHC Holding for payment of their mutual fund liabilities. The pictorial presentation of the same is as follows: -

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



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



(i) Loan Given by RFL to Zolton Properties Private Limited (Zolton)

The investigation observed that RFL gave loan of Rs.150 crores on September 05, 2016 and Rs. 10 crores on September 07, 2016 to Zolton. 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

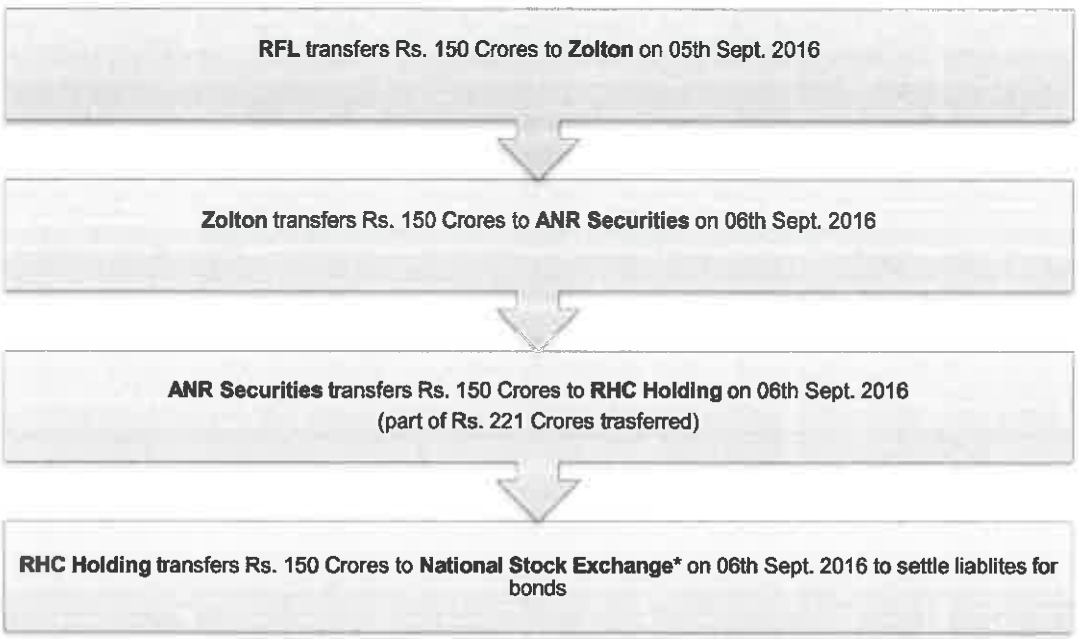
The investigation has noted the following shareholding structure and the financial results of Zolton:

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

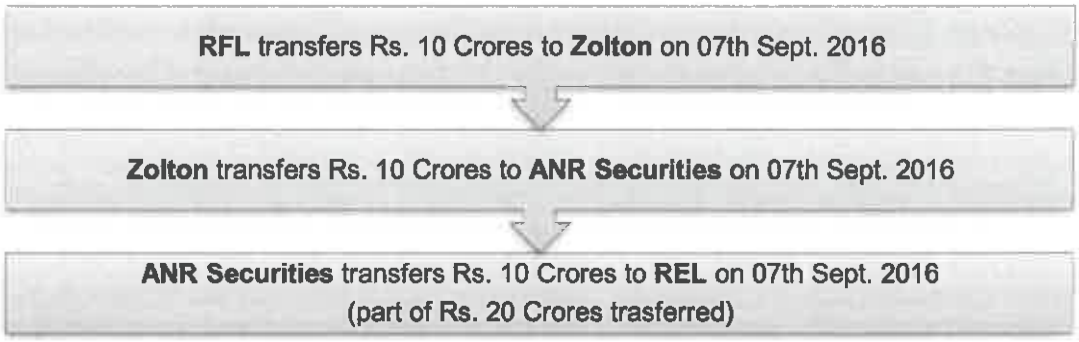
Particulars	Amount (Rs in crores)			
	2012-2013	2013-2014	2014-2015	2015-2016
Revenue	00.02	00.01	00.01	7.90
Profit & Loss after Tax	**-2.38**	**-00.83**	**-00.68**	**00.03**
Adjusted Net Worth	**-2.53**	**-3.36**	**-5.44**	**-4.08**

Upon analysis of bank statements and ledgers, the investigation observed that loan of Rs. 150 crores taken on September 05, 2016 had been utilised by RHC Holding and loan of Rs. 10 crores taken on September 07, 2016 had been ultimately utilised by ANR Securities to clear its dues to REL. It is noteworthy that ANR Securities was a wholly owned subsidiary of RHC Holding and thus under control of the Singh Brothers during the relevant period of IP. The pictorial presentation of the same are as follows:

Tranche 1: Movement of loan of Rs. 150 Crores to Zolton given on September 05, 2016



Tranche 2: Movement of funds of Rs. 10 Crores given to Zolton on September 07, 2016



(j) Loan Given by RFL to Tripoli Investments & Trading Co. (Tripoli)

The investigation observed that RFL gave two loans of Rs.150 Crores each on February 25, 2016 & June 30, 2017. The terms of the said loans were as follows: -

Particulars	Terms
Purpose	Working Capital requirement/General corporate purpose
Proposed loan	Two loans of Rs. 150 Crores each on February 25, 2016 and June 30, 2017
Loan Tenure	Upto 1 Year
ROI	14% p.a. (February 25, 2016) and 11% (June 30, 2017)
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

The investigation has noted the following shareholding structure and the financial results of Tripoli:

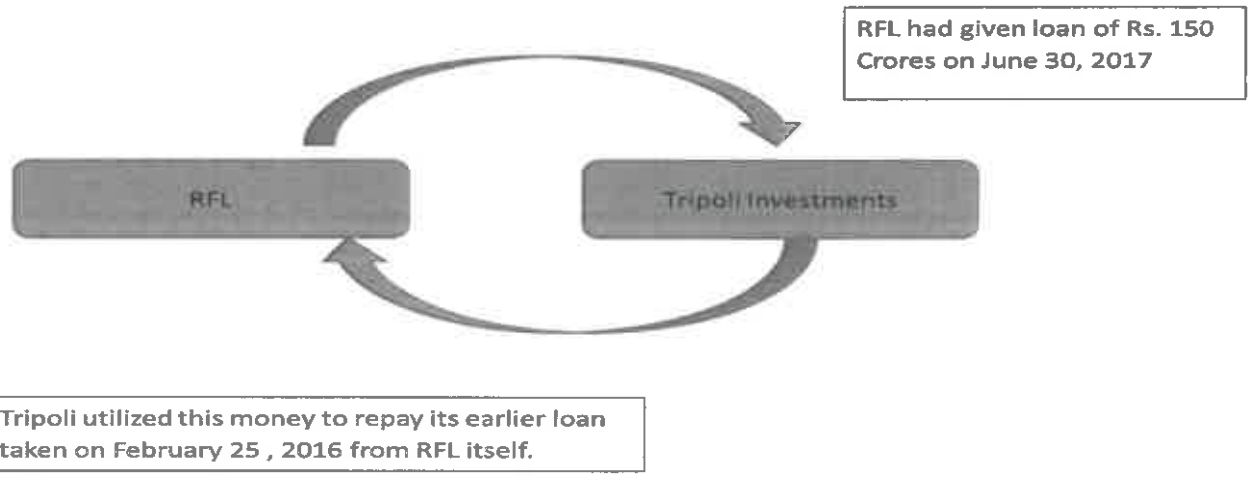
Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Ad Advertising Private Limited	617	33.32
2	Rosestar Marketing Private Limited	618	33.62
3	Volga Management Private Limited	617	33.32
	Total	1852	100%

Financial status (In Rs crores)

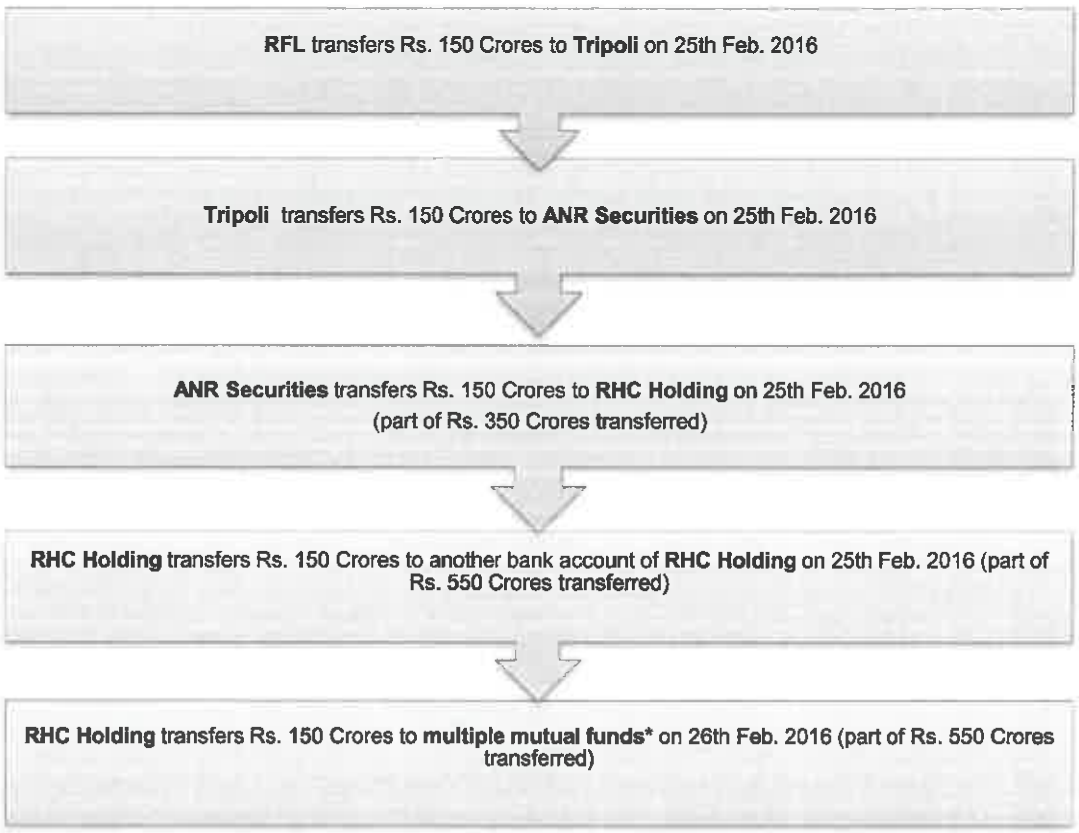
Particulars	2014-2015	2015-2016	2016-2017
Revenue	00.06	46.52	381.91
Profit/loss after Tax	**-00.67**	**00.08**	**-8.12**
Adjusted Net Worth	**8.83**	**-142.38**	**-130.67**

Upon perusal of Bank statements & ledgers of various entities, it was observed that 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. The pictorial presentation of the same is as follows:

Utilisation of loan taken on June 30, 2017: -



Utilisation of loan taken on February 25, 2016: -



(k) Loan Given by RFL to Volga Management & Consultancy Private Limited (Volga)

The investigation observed that RFL gave loan of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga. The terms of the said loans were as follows: -

Particulars	Terms
Loan Tenure	Upto 1 Year
Purpose	Short term loan for working capital purpose
Proposed loan amount	Rs.100 crores on February 25, 2016 and Rs. 150 Crores on June 30, 2017
ROI	14% p.a. (February 25, 2016) and 11% (June 30, 2017)
Repayment schedule	Bullet repayment at the end of the term/. Prepayment as per mutual consent
Security	Unsecured
Collateral	None

The investigation has noted the following shareholding structure and the financial results of Volga:

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

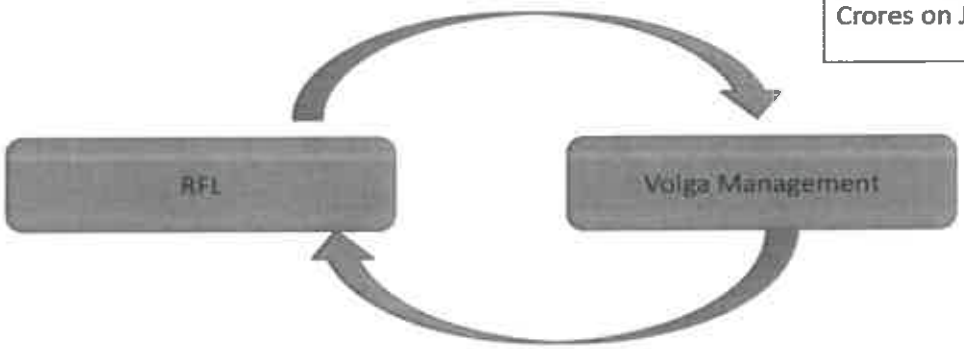
Particulars	Amount (Rs in crores)		
	2012-2013	2013-2014	2014-2015
Revenue	00.02	00.00	1.93
Profit & Loss after Tax	**00.00**	**00.00**	**00.02**
Adjusted Net Worth	**00.04**	**00.01**	**00.04**

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, upon analysis of the utilisation of loan taken on February 25, 2016 it was observed that the same 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 is as follows:

Utilisation of loan taken on June 30, 2017: -

RFL had given loan of Rs. 150 Crores on June 30, 2017



Volga utilized Rs. 105.72 to repay its earlier loan of Rs. 100 crores taken on February 25 , 2016 from RFL itself.

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.

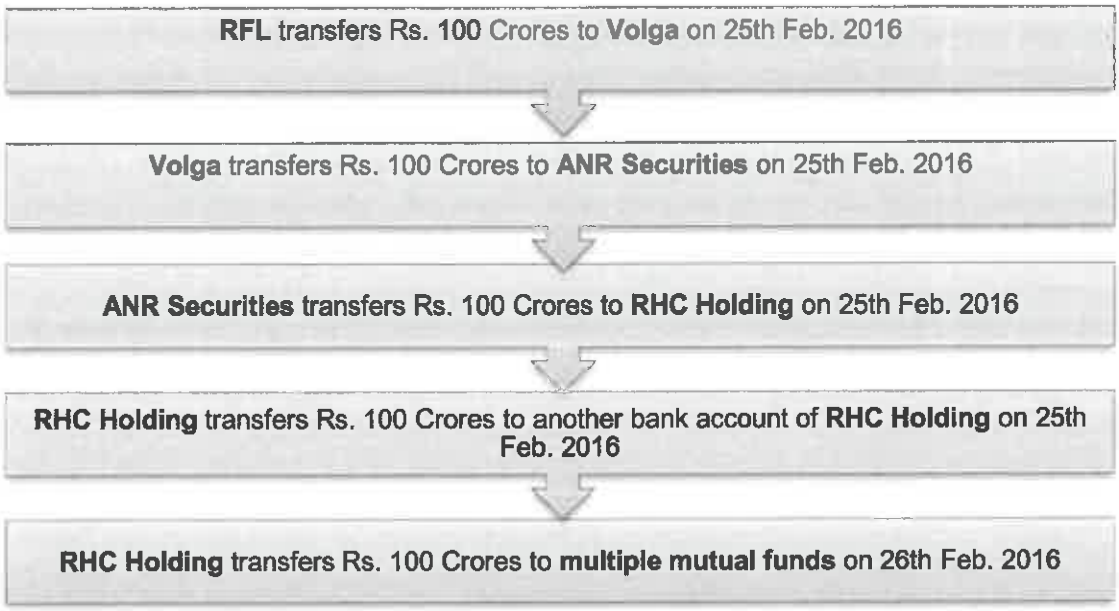
↓

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 by Volga on February 25, 2016:-



(I) Loan Given by RFL to Torus Buildon Private Limited (Torus)

The investigation 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

The investigation has noted the following shareholding structure and the financial results of Torus:

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

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

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 pictorial presentation of the same is as follows: -



6.2 (C.2) Group-2 Companies

(a) Loan Given by RFL to A&A Capital Services Pvt Ltd. (A&A Capital)

The investigation observes that RFL had given loan of Rs. 100 Crores to A&A Capital on February 01, 2017. The terms of the said loan were as follows: -

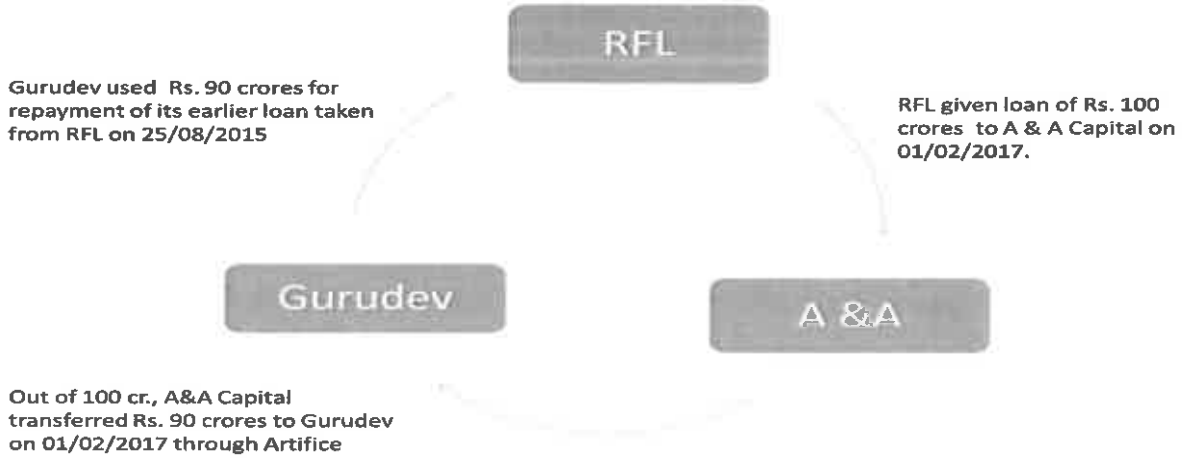
Particulars	Terms of the Loan
Loan Tenure	Upto 365 days
Purpose	Working capital purpose
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

The investigation has noted the following financial results of A&A Capital:

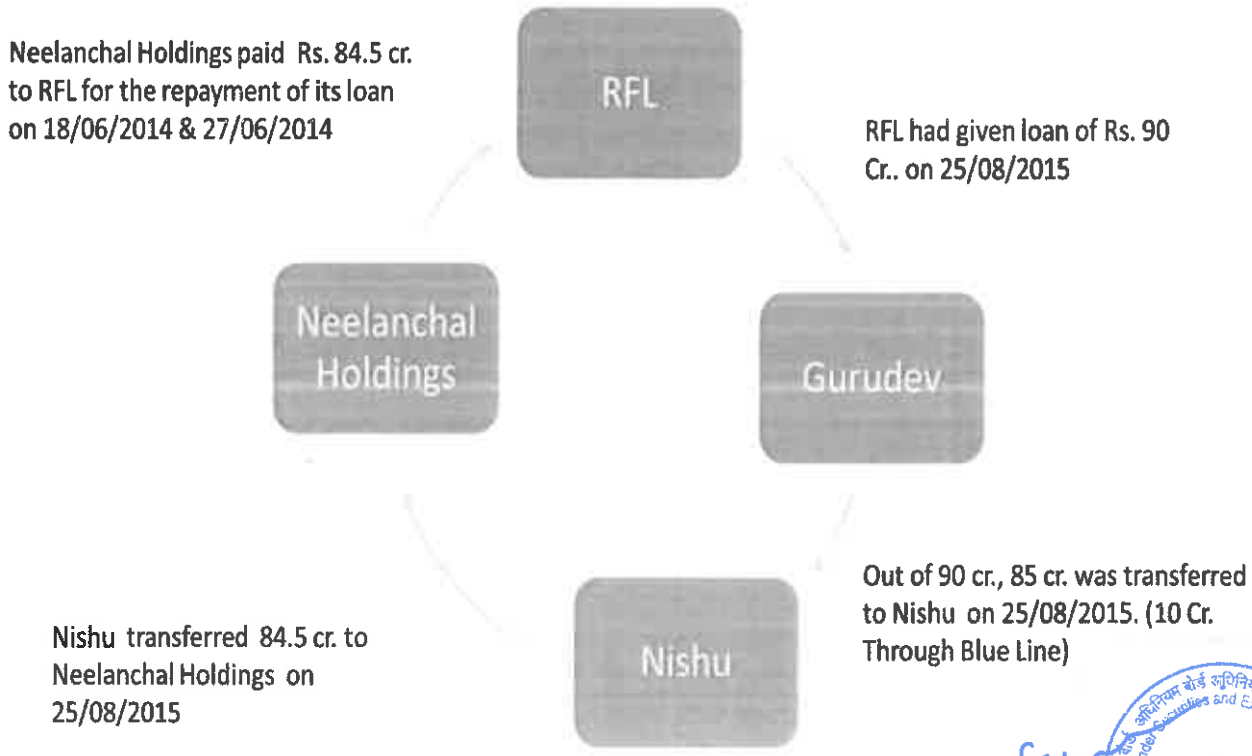
Particulars	Amount (Rs in Crores)		
	2013-2014	2014-2015	2015-2016
Revenue	8.59	3.59	19.45

Profit & Loss after tax	**9.93**	**-0.24**	**-1.10**
Adjusted Net Worth	**10.06**	**-64.54**	**-91.77**

A&A received fund directly as well as indirectly (through Artifice as discussed above in part relating to Artifice) from RFL. As regards direct loan of Rs. 100 Crores taken by A&A Capital on February 01, 2017, the pictorial representation of the same is as follows:

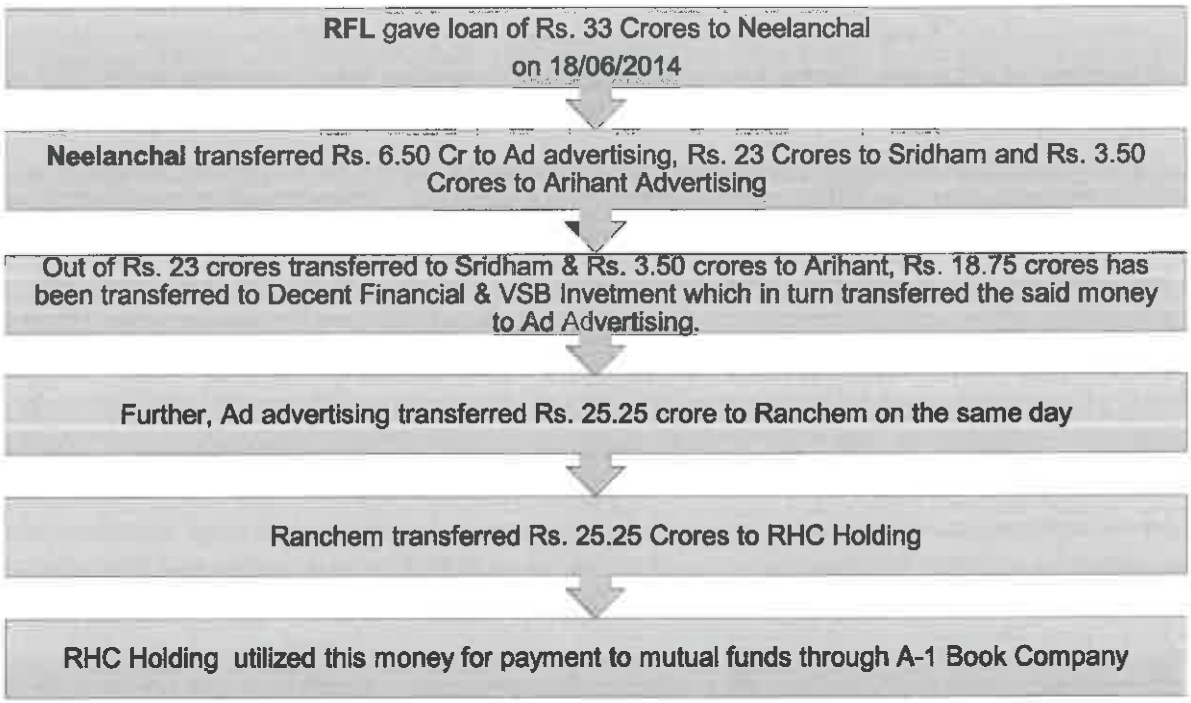


Upon analysis of the aforesaid loan taken by Gurudev from RFL on August 25, 2015, it was observed that the said loan was transferred to Neelanchal Holdings Pvt. Ltd. (Neelanchal) which utilized the same to repay its earlier loans taken from RFL. The pictorial representation of the same is as follows:

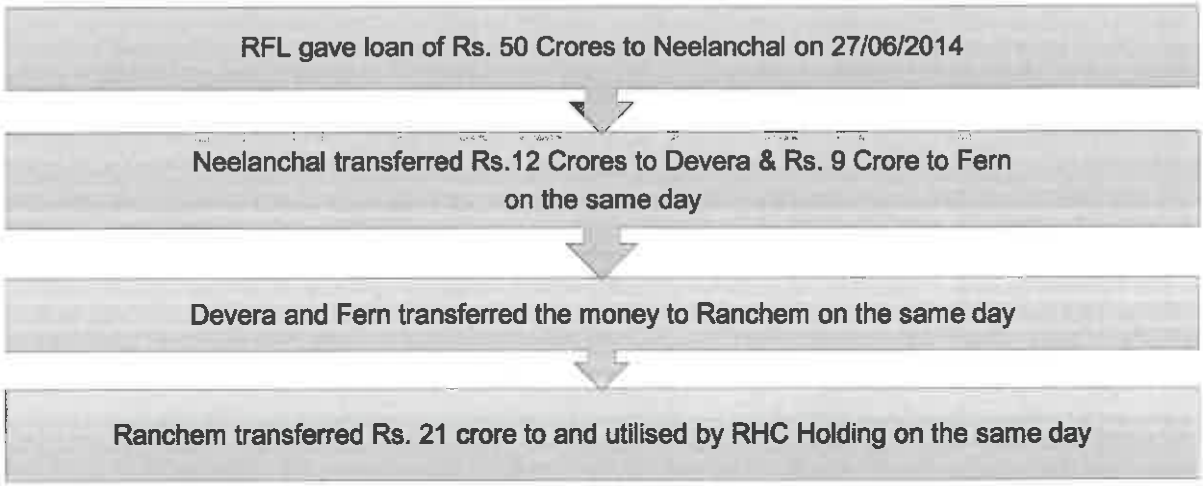


Further, upon analysis of the utilisation of the aforsaid loans taken by Neelanchal from RFL on June 18 & 27, 2014 and it was observed that the said loan funds had been immediately transferred through various entities to RHC Holding on the same day. The pictorial presentation is as follows: -

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

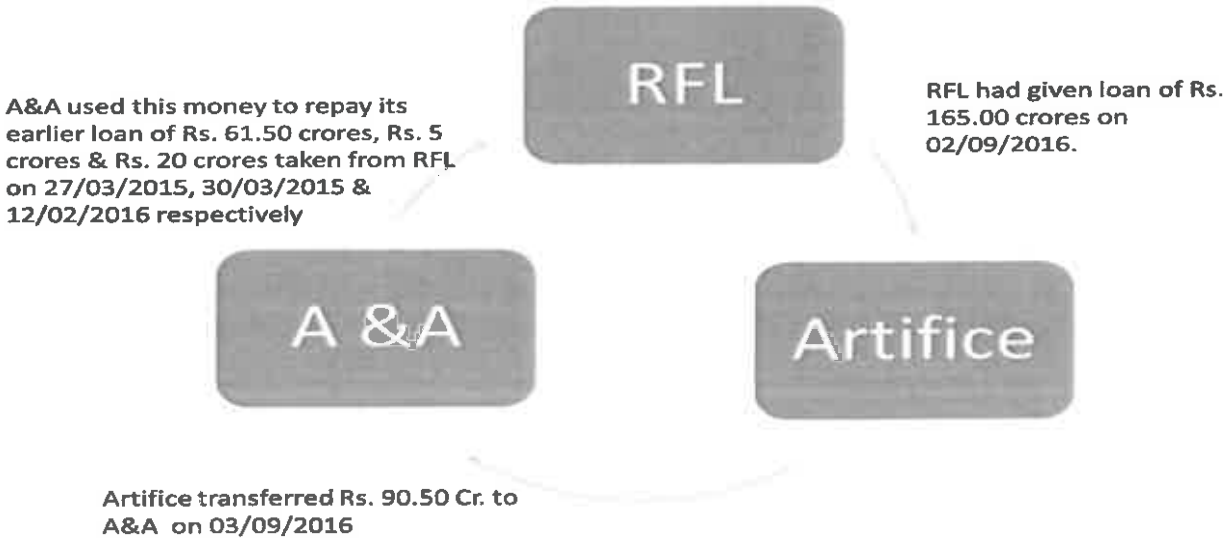


Details of loan amounting to Rs. 50 Crores taken on June 27, 2014

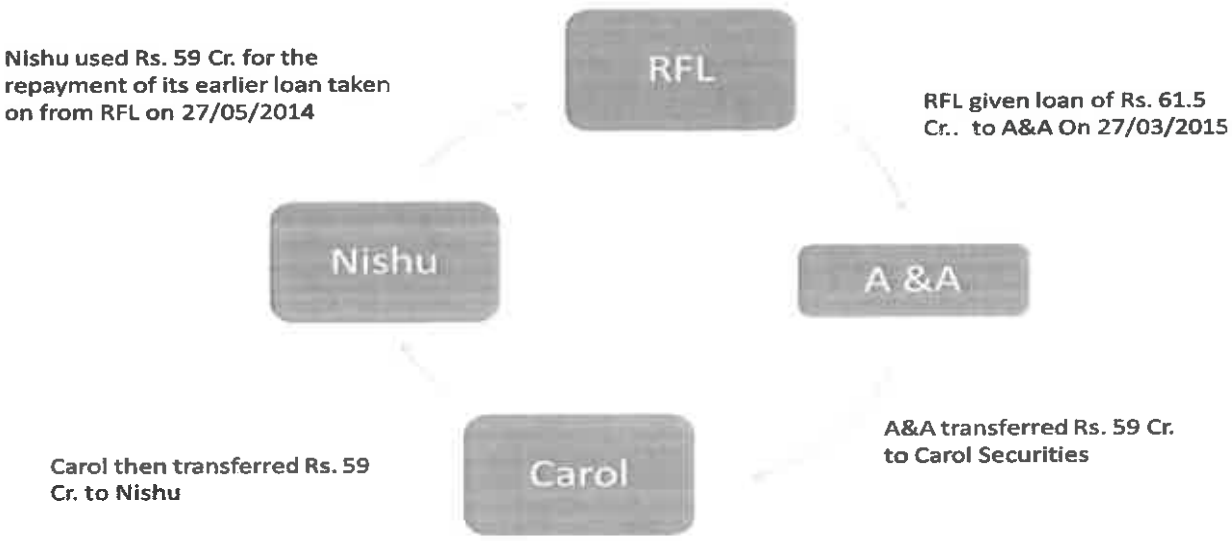


Thus, investigation observes that out of Rs 100 crores taken by A&A Capital from RFL, Rs. 46.25 crores were utilized by RHC Holding for its own benefit. As regards indirect loan of Rs. 90.5 Crores received by A&A Capital from RFL through Artifice, the same

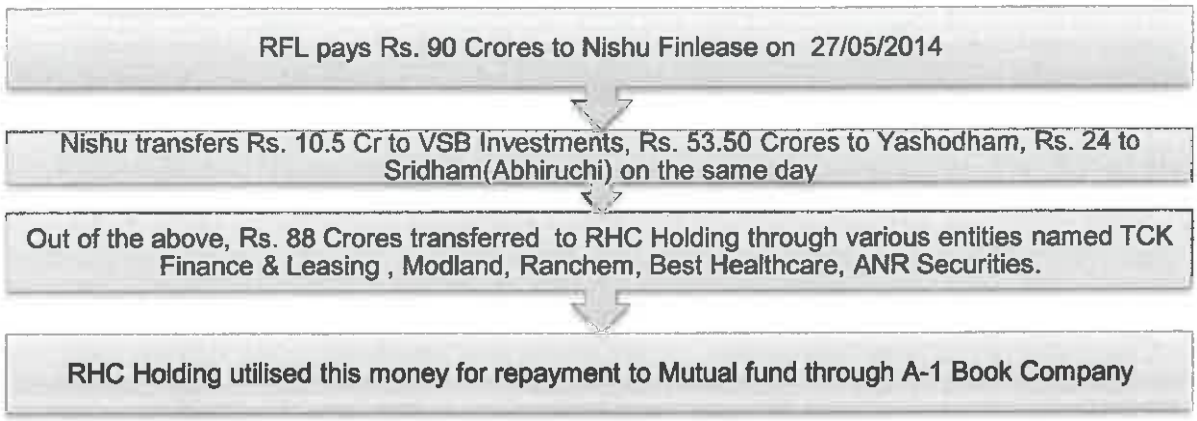
were utilised by A&A Capital to repay earlier loan of Rs. 86 crores taken from RFL on March 27, 2015. The pictorial presentation of the same is as follows:



Upon analysis of the utilisation of loan of Rs. 61.50 crores given by RFL to A&A Capital on March 27, 2015, the investigation observed that Rs. 59 crores were transferred to Nishu Finlease Pvt. Ltd. (Nishu Finlease) which utilized the same to repay part of its earlier loan of Rs. 90 Crores taken from RFL on May 27, 2014. The pictorial presentation of the said loan is as follows: -



Upon analysis of the loan Rs. 90 Crores given by RFL to Nishu Finlease on May 27, 2014, the investigation observed that the said funds were transferred to RHC Holding. The pictorial presentation of the same is as follows: -



Thus, the investigation observed that out of aforesaid Rs. 90.5 Crores received by A&A (through loan by RFL to Artifice), Rs. 59 crores were utilized by RHC Holding. Hence, a total amount of Rs 105.25 crores were seen to be diverted by (directly as well as indirectly through Artifice) A&A Capital for the benefit of RHC Holding.

(b) Loan Given by RFL to Gurudev Financial Services Pvt Ltd. (Gurudev)

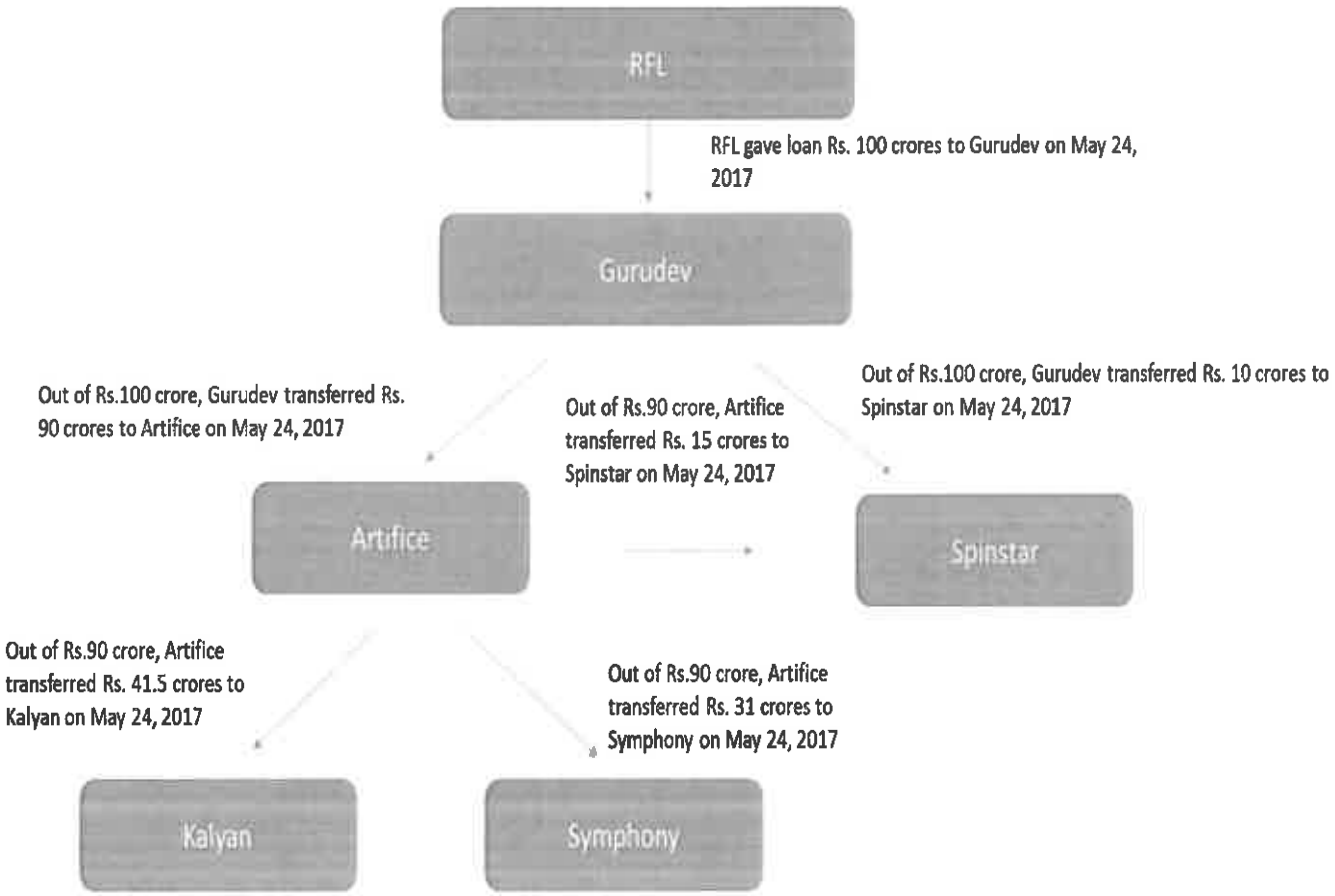
The investigation observes that RFL gave loan of Rs. 100 crores to Gurudev Financial on May 24, 2017. The terms of the same were as follows: -

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

The investigation has noted the following the financial results of Gurudev:

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**

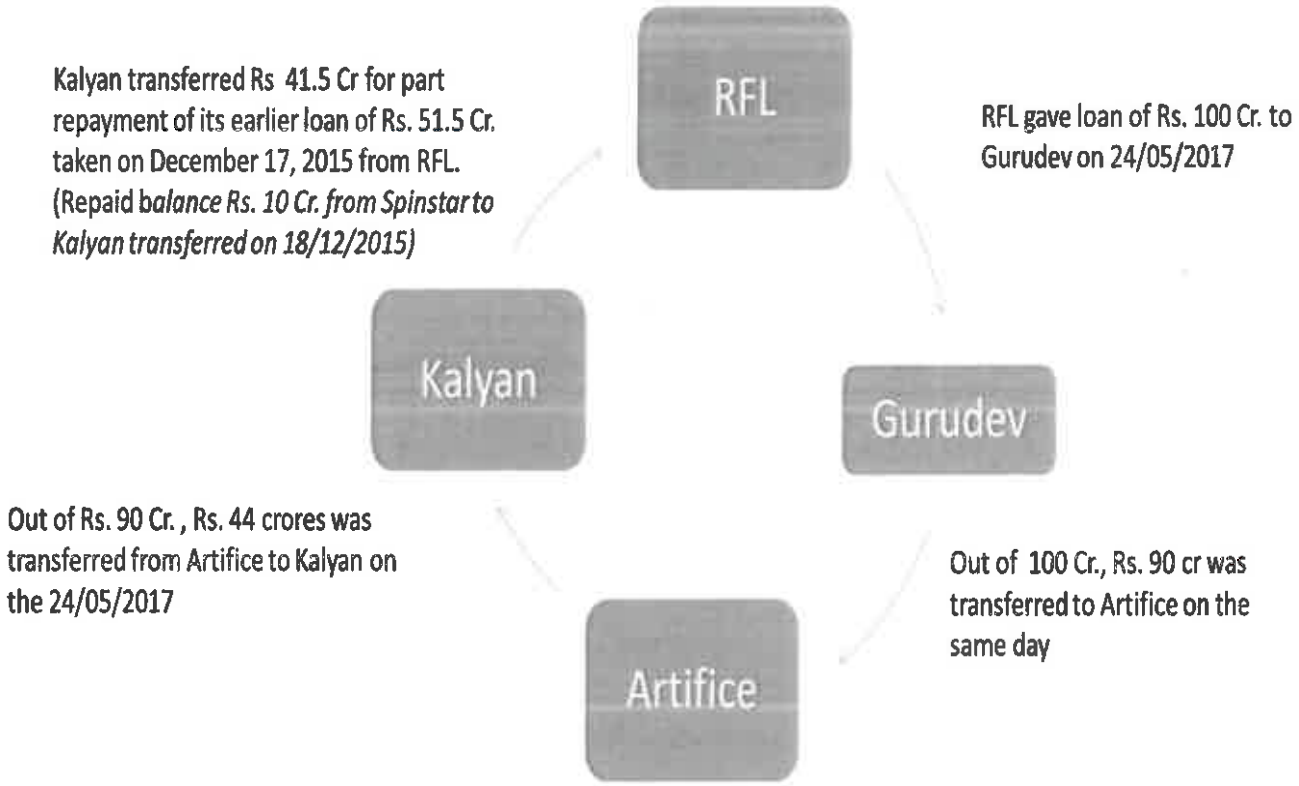
Upon analysis of the loan of Rs. 100 crores given by RFL to Gurudev on May 24, 2017, the investigation observed that, Rs. 90 crores were transferred by Gurudev to Artifice and Rs. 10 crores to Spinstar Finvest Pvt. Ltd. (Spinstar). The investigation further observed that Artifice transferred funds to Spinstar (Rs. 15 crores), Kalyan Vyapaar Pvt. Ltd. (Kalyan) (Rs 41.5 crores) and Symphony Merchants Pvt. Ltd. (Symphony) (31 crores), which used the same to repay their earlier loans taken from RFL. Further, it is observed that Spinstar utilised the total amount of Rs. 25 Crores for repayment of its earlier loan taken from RFL. The pictorial presentation of the same is as follows:



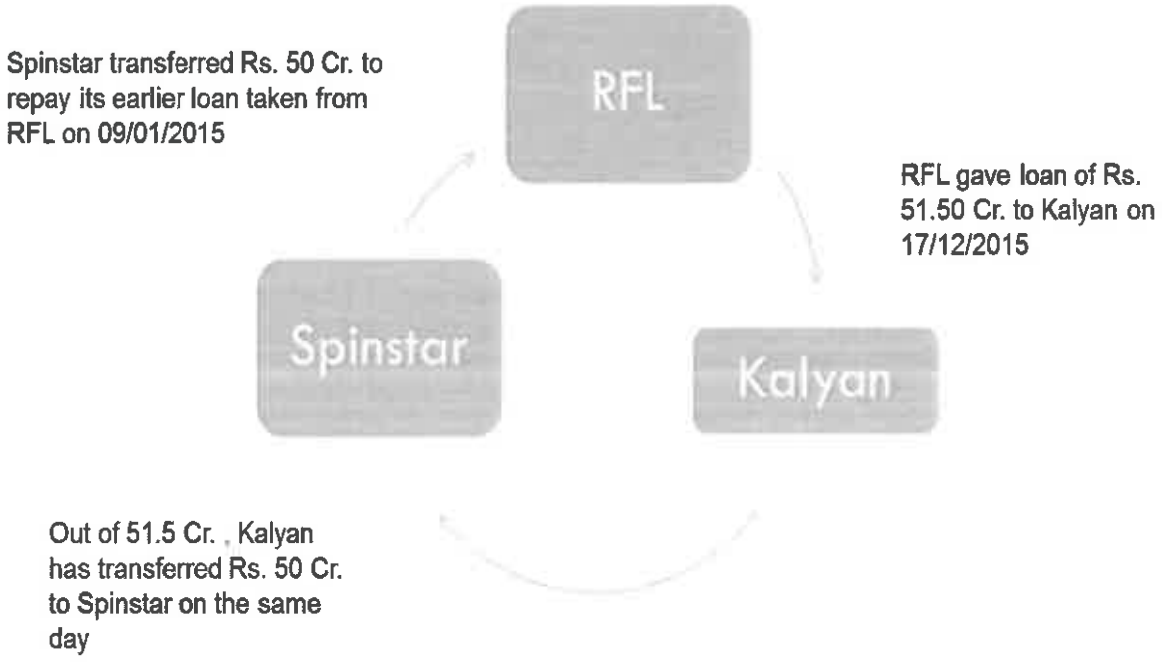
Upon analysis of Rs. 41.5 crores indirectly taken by Kalyan Vyapaar Pvt. Ltd. (Kalyan) from Gurudev through Artifice, the investigation observed that Kalyan utilised it for part repayment of its loan of Rs. 51.50 crores taken from RFL on December 17, 2015. The balance Rs. 10 crores had been repaid by the loan taken by Spinstar from RFL on December 18, 2015. The pictorial presentation of the same is as follows: -

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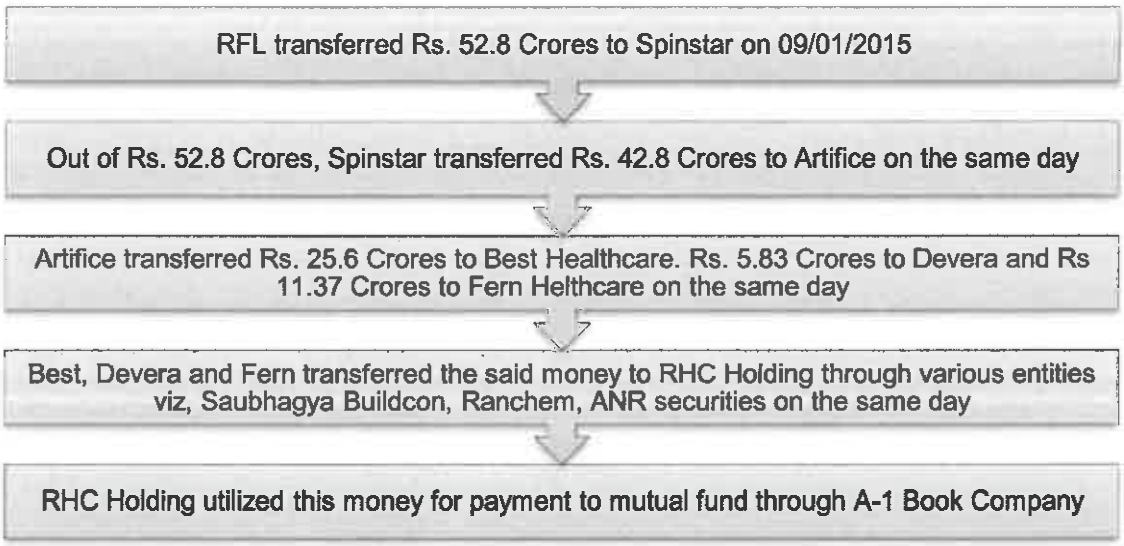
Adjudicating Officer under Securities and Exchange Board of India Act, 1992



The investigation analysed the loan of Rs. 51.50 crores given by RFL to Kalyan on December 17, 2015. The pictorial presentation is as follows: -



The investigation observed that RFL gave loan of Rs. 53 crores to Spinstar Finvest Pvt. Ltd. (Spinstar) on January 09, 2015, which was observed to be transferred through various layers to RHC Holding. The pictorial presentation of the same are as follows:



Thus, the investigation observed that out of the loan of Rs 100 crores given by RFL to Gurudev, Rs. 42.8 crores had been ultimately utilized by RHC Holding for paying off its liabilities to mutual funds in the books of A1 Book Company and remaing

(c) Loan Given by RFL to Tara Alloys Limited (Tara)

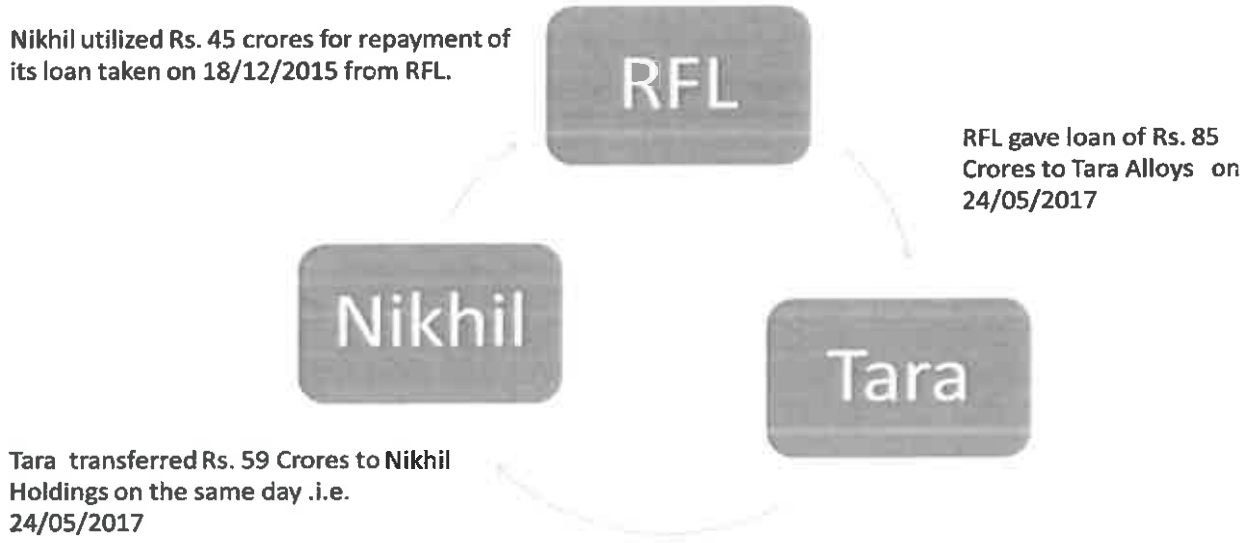
The investigation observed that RFL gave a loan of Rs. 85 crores had been given by RFL to Tara Alloys Limited on May 24, 2017, the terms of the same were as follows: -

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

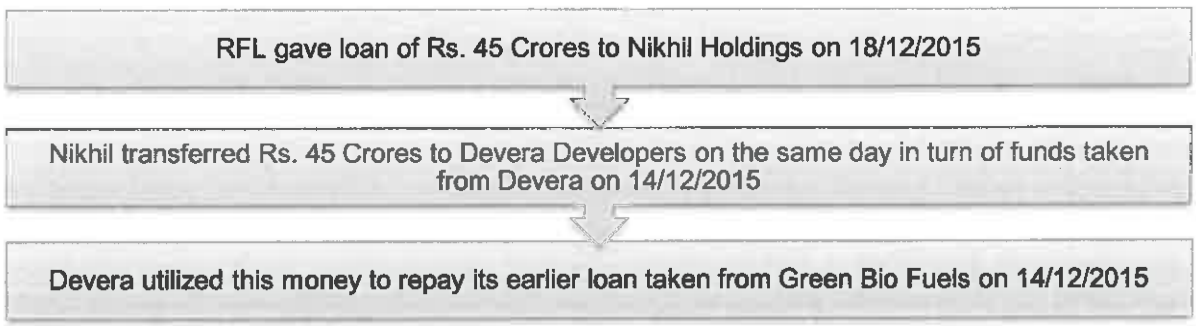
The investigation has noted the following the financial results of Tara Alloys as under:

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**

The investigation observed that out of the loan amount of Rs 85 crores, Tara Alloys transferred Rs 59 crores to Nikhil Holdings Pvt. Ltd. (Nikhil Holdings) and Rs 26 crores to Yashodham Merchants Pvt. Ltd. (Yashodham) on the same day. As regards utilisation of Rs. 59 Crores transferred to Nikhil Holding, the investigation observed as under:

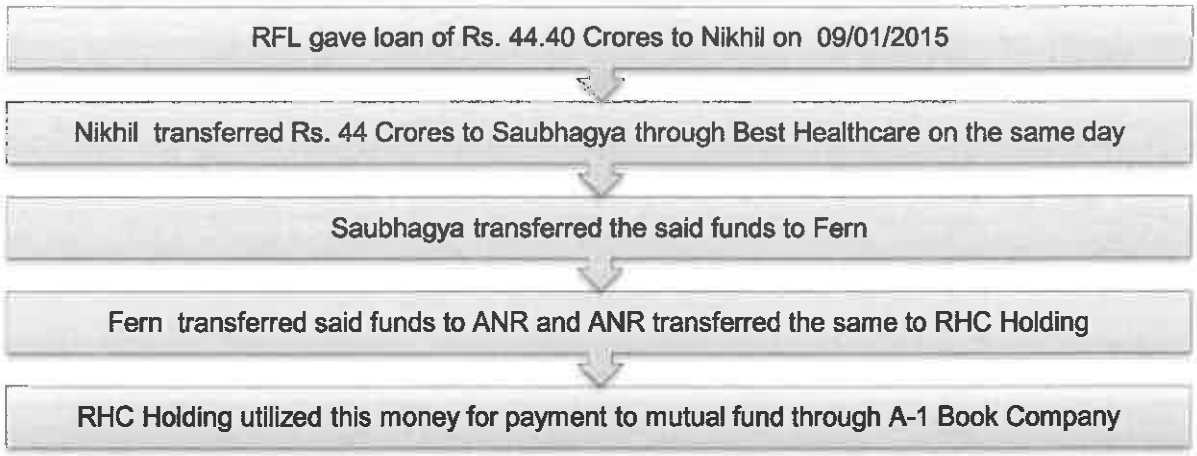


Upon analysis of the utilisation of loan taken by Nikhil Holding from RFL on December 18, 2015, the investigation observed as under:



Upon analysis of the utilisation of funds taken by Devera Developers Pvt. Ltd. (Devera Developers) on December 14, 2015 from Green Biofuels, the investigation observed that the same was utilised by Nikhil Holdings to repay its earlier loan taken from RFL on January 09, 2015. Upon analysis of the utilisation of the loan taken by Nikhil Holding on January 09, 2015, the investigation observed that the same was transferred to RHC Holding through various entities on the same day. The pictorial presentation of the same is as under: -

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Thus, the investigation observed that out of the loan of Rs. 85 Crores given by RFL to Tara Alloys, Rs. 44 crores had been utilized by RHC Holding for paying off its liabiltities to mutual funds in the books of A-1 Book Company. As regards Rs. 26 Crores which was given to Yashodham, FAR observed that the said amount was utilised by Yashodham for repayment of its earlier loan taken from RFL.

(d) Loan Given by RFL to Sridham Distributors Private Limited (earlier known as Abhiruchi Distributors Private Limited) (Sridham)

The investigation observed that RFL gave loan of Rs. 92.40 to Sridham on February 01, 2017, the terms of the same were as follows: -

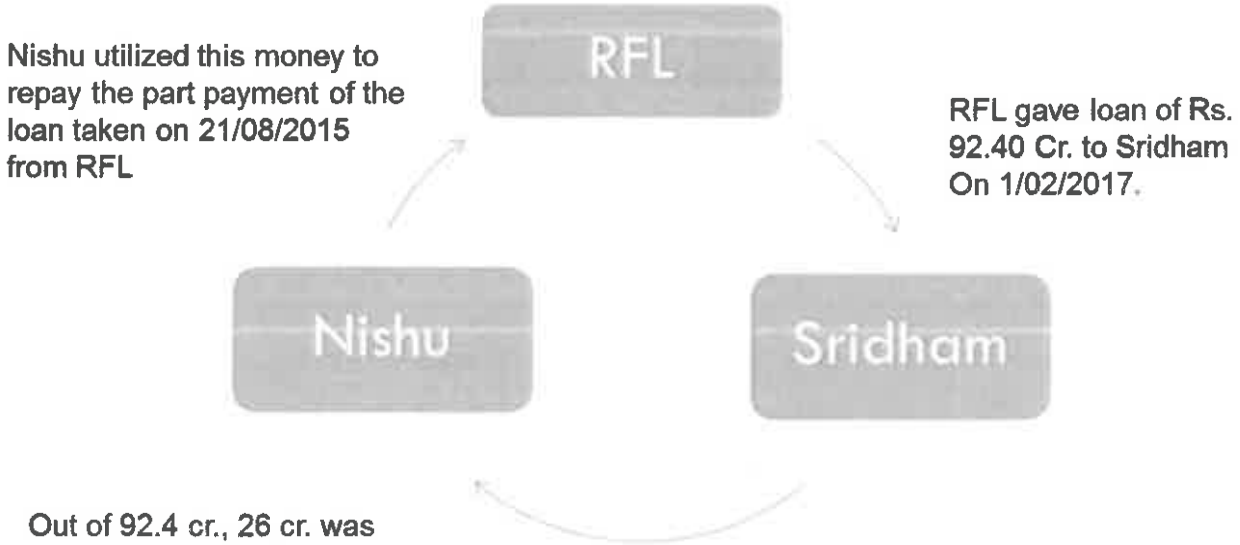
Particulars	**Terms**
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

The investigation has noted the following financial results of Sridham:

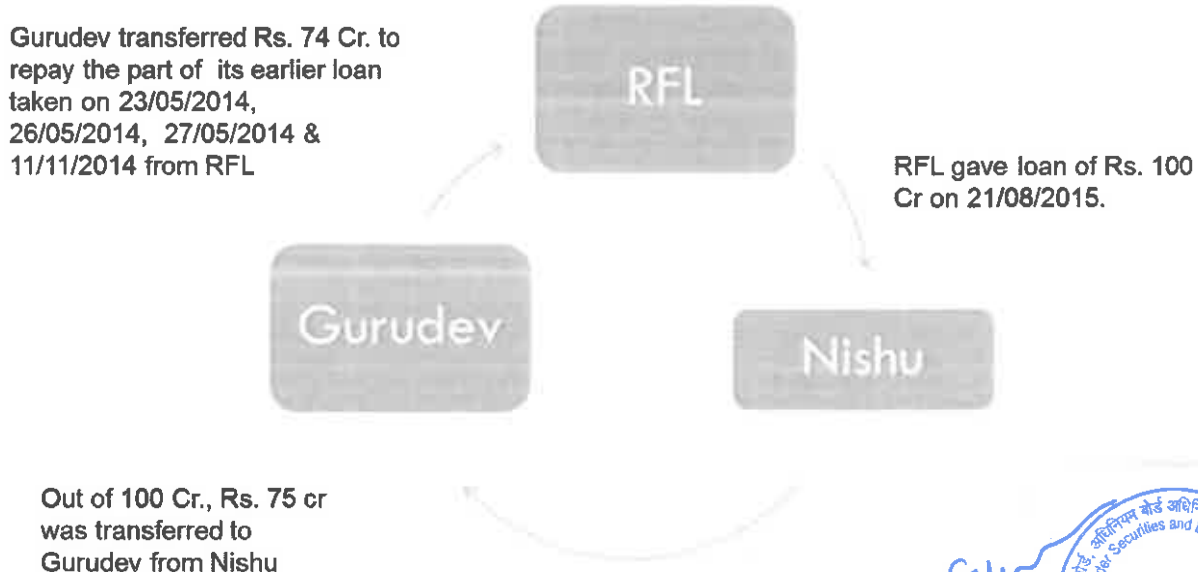
Particulars	**Amount (Rs in Crores)**		
	Mar-14	**Mar-15**	**Mar- 16**
Revenue	8.26	80.05	180.56
Profit & Loss after tax	**00.15**	**00.18**	**00.24**

Adjusted Net Worth	**-97.40**	**-86.81**	**-204.52**

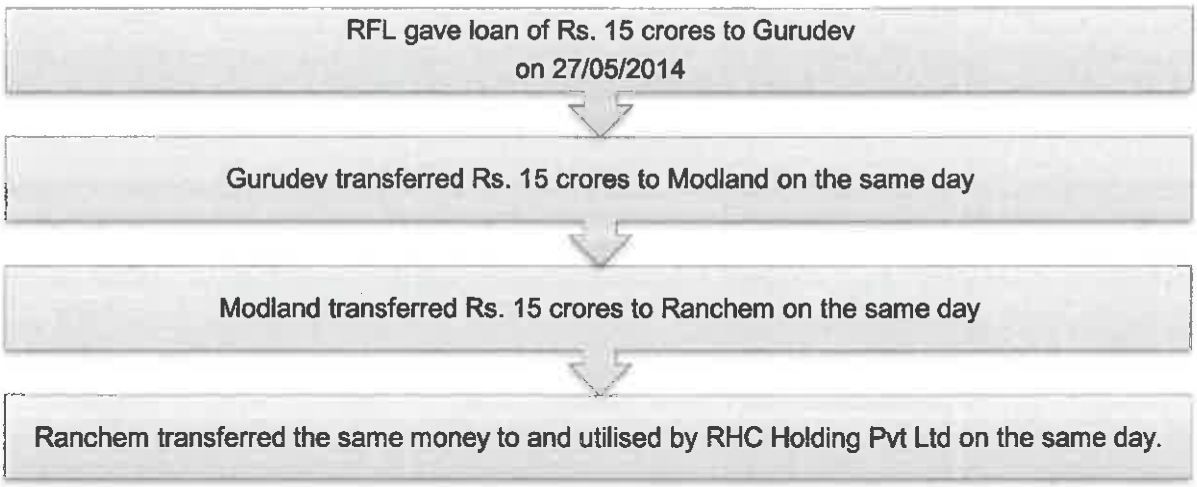
The investigation observed that out the aforesaid loan of Rs. 92.4 crores Sridham transferred Rs. 26 crores to Nishu Finlease. The pictorial presentation of the utilisation of the said amount of Rs. 26 Crores is as under:



The investigation observed that RFL had given Rs. 100 crores. to Nishu Finlease on August 21, 2015. The pictorial presentation of the utilisation of the same is as follows:



Upon analysis of the loan of Rs. 15 crores given by RFL to Gurudev on May 27, 2014, the invitation observed that the same was transferred through various entities to RHC Holding on the same day. The pictorial presentation of the same is as follows:



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

(e) Loan by RFL to Annies Apparel Private Limited (Annies Apparel)

The investigation observed that RFL gave loan Rs. 100.00 crores to Annies Apparel 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

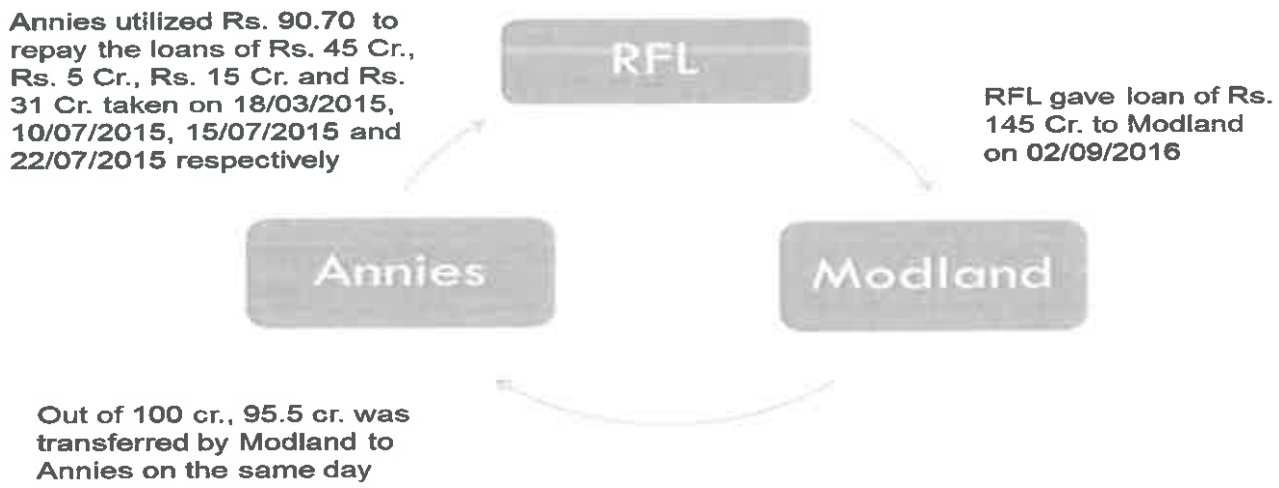
The investigation has noted the following financial results of Annies Apparel:

Financial details

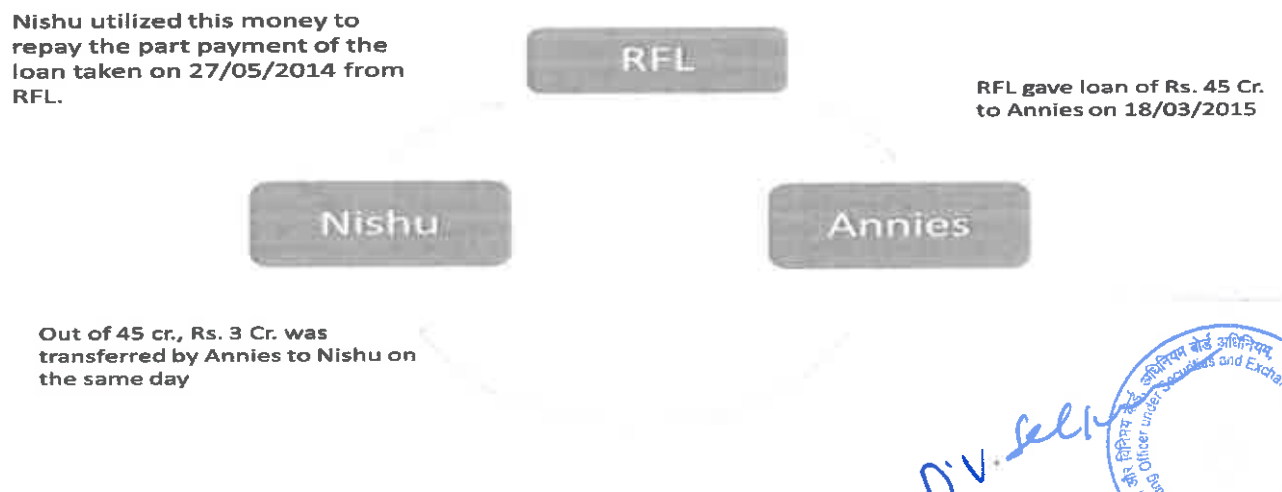
Particulars	Amount (Rs in Crores)		
	Mar-14	Mar-15	Mar- 16
Revenue	00.27	00.75	30.94

Profit & Loss after Tax	**00.01**	**00.01**	**00.17**
Adjusted Net Worth	**00.37**	**-44.30**	**-117.77**

The investigation observed that out of the loan of Rs. 100 Crores given by RFL to Annies Apparel, Rs. 75 Crores was utilised by other entities for repayment of their earlier loans taken from RFL and FAR observed that the said Rs. 75 Crores was utilised by Nishu Finlease (Rs. 50 Crores) and Gurudev (Rs. 25 Crores) for repayment of earlier loans. As regards the amount of Rs. 95.5 crores indirectly received by Annies Apparel from RFL through Modland (as mentioned in part relating to Modland), the investigation observed that Annies Apparel utilised the said amount to repay its earlier loans taken from RFL. The pictorial presentation of the same is as follows: -



The investigation analysed the utilization of the loan of Rs. 45 crores given by RFL to Annies on March 18, 2015. The pictorial presentation of the same is as follows: -



The utilisation of the loan taken by Nishu Finlease from RFL on May 27, 2015 has been discussed in part relating to A&A Capital. Thus, the investigation observed that Rs 3 crores was ultimately utilised by RHC Holding to pay off its liabilities in the books of A-1 Book Company.

6.2 (C.3) Group 3 Companies: Loans Given To Religare Group Companies

(a) Loan given to Religare Comtrade Limited

The Investigation 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

The investigation observed that the aforesaid loans had been utilised in three parts and 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 loan of Rs. 75 crores given to Religare Comtrade on July 26, 2017:

RFL transfers Rs. 75 Crores to **RCTL** on 26th July 2017 by investing in its Commercial Papers.

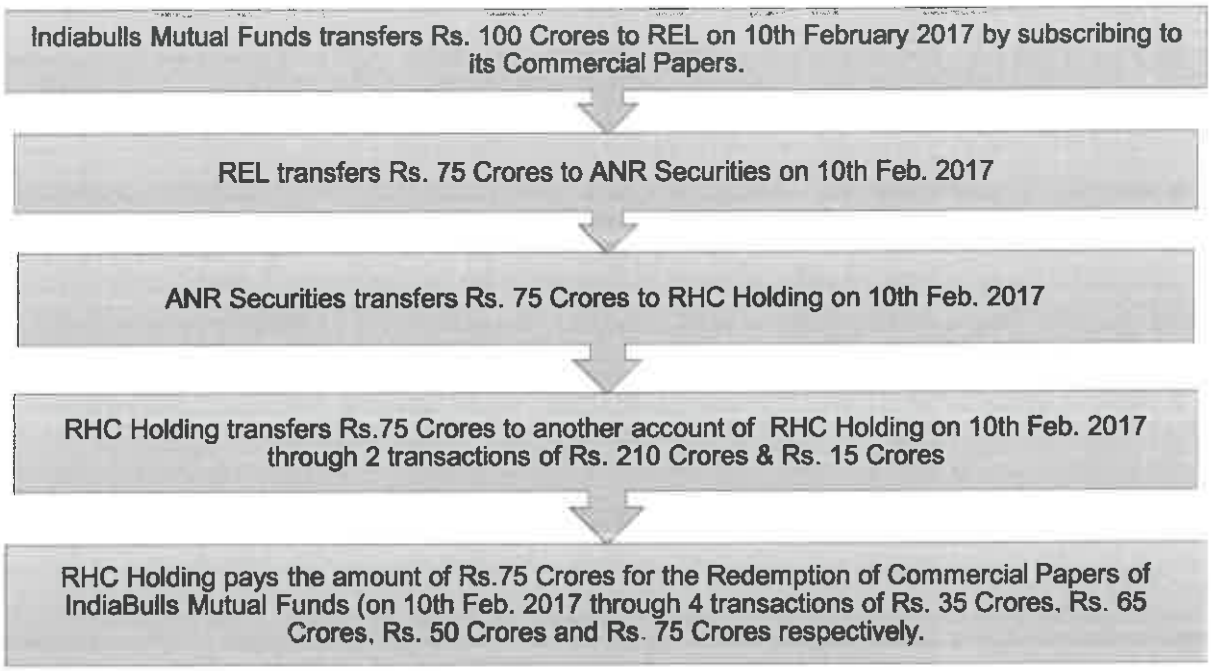
↓

RCTL transfers Rs. 75 Crores to **REL** on 26th July 2017 by investing in its Commercial Papers.

↓

REL uses Rs.75 Crores to redeem the Commercial Papers issued by **Indiabulls MF**[1] on 26th July 2017.

Utilisation of money taken from Indiabulls Mutual Fund:



As regards remaining amount of Rs. 50 Crores, the investigation observed that Rs. 30 Crores was utilised by REL to refund the loan it had taken for capitalisation of its subsidiary Religare Capital Market Ltd. (RCML) and Rs. 20 Crores were utilised by REL for subscribing to the Right Issue of Religare Health Insurance Company Ltd (RHICL).

(b) Loan to Religare Enterprises Limited

FAR observed that RFL gave loan of Rs. 12.00 Crores, Rs. 13.50 Crores & Rs. 160 Crores to REL on August 16, 2017, August 31, 2017 & September 26, 2017 respectively. As FAR concluded that the said loan amounts were utilised by REL only, the investigation did not analyse the any further.

6.2 (C.4) Overall conclusion of Corporate Loan Book (CLB)

On the basis of the aforesaid analysis, the investigation concluded that Rs. 1544.53 crores out of Rs. 2347.20 crores given by RFL to various entities have been through various layers to ultimately diverted for the benefit of promoters of REL and RFL during the period between FYs 2014-15 till FY 2017-18 ("referred to as relevant period of investigation"). The details of the same are as follows: -

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**
19	Religare Enterprises Ltd.	185.5	0	
	Total	**2347.2**	**1544.53**	

The investigation inter alia also observed that:

(i) Certain loans amounting to Rs. 343.25 crores given by RFL to the some of the above borrowers, although duly repaid, part of such funds had been utilised by same/other entities as interest/loan repayment for their earlier loans taken from RFL itself. It was further observed that, in the minutes of certain Committee meetings of RFL, it had been mentioned that the proposed loans were not fresh corporate loans under CLB books but were merely roll over of existing loans/CPs.

(ii) Pursuant to RBI letter dated January 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 have also stated that many RFL 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 non performing asset (NPA).

(iii) RBI in its letter dated January 27, 2017 has also stated that in the case of 21 loans disbursed to 9 borrowers, the funds disbursed ultimately came back to the group companies of RFL.

(iv) In view of the above, such rollover of funds of RFL to avoid earlier loans of RFL being rendered as NPA, aided in misrepresentation in the books of RFL and consequently, in the consolidated financials of REL.

7. The overall substance of conclusion reached out on the basis of FAR and investigation is as follows:

7.1 RFL is a material subsidiary of REL, which as on March 31, 2018, contributed 57% of the consolidated revenues of REL and 96.3% of the consolidated net-worth of REL.

7.2 On basis of analysis of FDs amounting to Rs. 750 Crores placed by RFL with LVB, it was observed that LVB liquidated/foreclosed the FDs to realised the outstanding loan amounts on July 17, 2017 and the said FDs were ultimately utilised by promoter group entities of RFL/REL against the loan of Rs. 729.13 Crores.

7.3 On the basis of analysis regarding diversion of funds through Corporate Loan Book, it was concluded that Rs. 1544.53 crores out of Rs. 2347.20 crores given by RFL to various entities have been ultimately diverted through various layers for the benefit of promoters of REL and RFL during the period between FYs 2014-15 till FY 2017-18 ("referred to as relevant period of investigation").

7.4 That aggregate funds amounting to Rs. 2473.66 crores had been diverted from the books of RFL for the purpose of making funds available to RHC Holding and other related entities. The amounts have been utilised by RHC Holding through its wholly owned subsidiary viz, A-1 Book Company Pvt Ltd, whose business was to make investments in liquid/debt mutual funds on behalf of RHC Holding. Considering the above, the details of the funds diverted are as follows: -

Table 2: Diversion of funds

Sr. No.	Particulars	Loan amount (Rs. in Crores)
1	FDs with Lakshmi Vilas Bank	729.13

2	Loan to OSPL Infradeal Private Ltd. 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 Rs 50 crores pertaining to BRNL as the same has been repaid in September 2019.

7.5 Thus, the funds of RFL to the extent of Rs 2473.66 crores (approx.) were moved out through certain borrower entities and in turn, through various layers of connected conduit entities to entities controlled by promoters of REL and RFL during the relevant investigation period. The ultimate beneficiary of the above diversion of funds from the consolidated financials of REL were RHC Holding, ANR Securities Pvt Ltd (ANR Securities) & Religare Corporate Services Ltd. (RCSL) and consequently, Mr Malvinder Mohan Singh (MMS) and Mr Shivinder Mohan Singh (SMS) (jointly referred as Singh Brothers), who jointly owned and controlled RHC Holding through Malav Holdings Pvt Ltd (MHPL) and Shivi Holdings Pvt Ltd (SHPL) respectively during the investigation period.

7.6 That the funds had moved out of REL through RFL through loans to borrower entities for the ultimate benefit of promoter entities and/or rollover of loans, through layers of various entities. Further, funds of RFL were also misused by rollover of loans to repay earlier loans from RFL. The list of borrower and conduit entities (through which the funds were diverted) and is as mentioned below:

Table 3: The list of borrower and conduit entities

Sr. No.	Name of the entities
1	OSPL Infradeal Private Limited
2	Bharat Road Network Limited
3	SREI Infrastructure Finance Limited
4	Platinum Infrastructure Pvt. Ltd.
5	Ad Advertising Pvt. Ltd.
6	Artifice Properties Pvt. Ltd.
7	Best Health Management Private Limited
8	Devera Developers Private Limited
9	Vitoba Realtors Private Limited
10	Fern Healthcare Pvt. Ltd.
11	Modland Wears Pvt. Ltd.
12	Rosestar Marketing Pvt. Ltd.
13	Star Artworks Pvt. Ltd.
14	Tripoli Investment & Trading Co.
15	Volga Management and Consultancy Pvt. Ltd.
16	Zolton Properties Pvt. Ltd.

17	A&A Capital Financial Service Limited
18	Gurudev Financial Services Private Limited
19	Tara Alloys Limited
20	Sridham Distributors Private Limited
21	Torus Buidcon Private Limited
22	ANR Securities Private Limited
23	Ranchem Private Limited
24	Saubhagya Buildcon Private Limited
25	Fortis Healthcare Holding
26	Prius Real Estate Private Limited
27	Oscar Investments Limited
28	Nishu Finlease Private Limited
29	Neelanchal Holdings Private Limited
30	Arihant Advertisings Private Limited
31	Carol Securities Private Limited
32	VSB Investment Private Limited
33	Yashodham Merchants Private Limited
34	Nikhil Holdings Private Limited
35	Best Healthcare Private Limited
36	Green Bio Fuels farms Private Limited
37	TCK Finance and Leasing Private Limited
38	Decent Financial Services Private Limited
39	Kalyan Vyapaar Private Limited
40	Spinstar Finvest Private Limited
41	Symphony Merchants Private Limited
42	Annies Apparel Private Limited
43	Rexcin Finance Private Limited

7.7 The aforesaid 43 entities which were borrower entities/ intermediate conduit entities through which the funds were transferred; and the beneficiaries viz. RHC Holding, ANR Securities and RCSL, have linkages and close connection with each other and with promoters of REL/RFL. The details of connections observed between/among them is as follows:

Table 4: Details of connections observed between various entities

Sr. No.	Name of the entities	Basis of Connection
1	Religare Enterprises Limited	Shared common director and promoter (Mr. Malvinder Singh, Mr. Shivinder Mohan Singh) with RHC Holding (Sr. No. 3) As on March 31, 2016, it's shareholding pattern was as followed: (RHC Finance – 16.33%, RHC Holding (Sr. No. 3)– 22.27%, MMS – 6.24%, SMS – 6.10%, Shivi Holdings (Sr. No. 7) – 5.61%, Malav Holdings (Sr. No. 6) – 4.36%, Shabnam Dhillon – 8.52%)
2	Religare Finvest Limited	Shared common address (D3, P3B, District Centre, Saket, New Delhi) with REL (Sr. No. 1) As on March 31, 2016, it's 80.23 % shareholding was held by REL(Sr. No. 1)
3	RHC Holding Private Limited	Shared common directors and promoters (MMS, SMS) with REL (Sr. No. 1). Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with Fern (Sr. No. 13), Modland(Sr. No. 14), Malav Holdings(Sr. No. 6) & Shivi Holdings (Sr. No. 7)
4	Religare Corporate Services Limited	Shared Common directors named Hemant Dhingra with A-1 Book company(Sr. No. 5), Ranchem Private Limited (Sr. No. 23)and ANR Securities Private Limited(Sr. No. 22)

5	A1 Book Company Pvt Ltd	RHC Holding (Sr. No. 3) hold 100% shares of A1 Book Company (Sr. No. 5) during IP. Shared Common directors named Hemant Dhingra with Religare Coporate Services Limited ((Sr. No. 4), Ranchem Private Limited (Sr. No. 23)& ANR Securities Private Limited (Sr. No. 5).
6	Malav Holdings Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with RHC Holding (Sr. No. 3), Fern (Sr. No. 13), Modland (Sr. No. 14) & Shivi Holdings (Sr. No. 7) Shared common director (MMS) with REL (Sr. No. 1) and RHC Holding (Sr. No. 3)
7	Shivi Holdings Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with RHC Holding (Sr. No. 3), Fern (Sr. No. 13), Modland (Sr. No. 14) & Malav Holdings (Sr. No. 6) Shared common director (SMS) with REL (Sr. No. 1) and RHC Holding (Sr. No. 3)
8	Ad Advertising Pvt. Ltd.	Shared common director (Gurpreet Singh Sodhi) with Ranchem (Sr. No. 23) As per RFL's proposal notes, its shareholding was as follows:- 50% with Rosestar Marketing (Sr. No. 15), 50% with Volga Software Private Limited
9	Artifice Properties Pvt. Ltd.	As per RFL's proposal notes,its shareholding was as follows:- 33.34% with Saubhagya Buildcon (Sr. No. 24), 33.34% with Zolton (Sr. No. 20) Shared common address (170, Madhuvan, Delhi) with Best Health Management (Sr. No. 10) Shared common director (Ravi Kohli) with Best Health Management (Sr. No. 10)
10	Best Health Management Private Limited	As per RFL's proposal notes, its shareholding was as follows: - 50%- Best Healthcare Private Limited (Sr. No. 33), 50%- Devera Developers (Sr. No. 11) Shared common address (170, Madhuvan, Delhi) with Artifice Properties (Sr. No. 9)
11	Devera Developers Private Limited (earlier known as Best Cure Private Limited)	Shared common address (G-24, Mansarover Garden, 1st Floor, Sawan Niwas, New Delhi) with Best Healthcare Private Limited (Sr. No. 33) Shared common directors (Pramod Ahuja, Rana Gill) with Best Healthcare Private Limited (Sr. No. 33) As on March 31, 2013, it's 67% shareholding was held by Best Healthcare Private Limited. (Sr. No. 33) Devera was holding shares in Modland (Sr. No. 14), Vitoba (Sr. No. 12), Best Health Mangement(Sr. No. 10)
12	Vitoba Realtors Private Limited	As per RFL's proposal notes, its shareholding was as follows:-Best Healthcare (Sr. No. 33) -50%, Devera Developers (Sr. No. 11) -50%
13	Fern Healthcare Pvt. Ltd.	Shared common director (Deepak Poswal) with Rexcin Finance Shared common director (Ruby Gabadia) with Artifice (S. No. 9) As per RFL's proposal notes, it's 37.34% shareholding were held by Tripoli (Sr. No. 17), 37.34% with Best healthcare (Sr. No. 33), 11.44% with Vitoba (Sr. No. 12) & 13.84% with Modland (Sr. No. 14) Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland (Sr. No. 14)
14	Modland Wears Pvt. Ltd.	As per RFL's proposal notes, its shareholding was as follows:- Best Healthcare Private Limited (Sr. No. 33) -50% & Devera Developers (Sr. No. 11) -50%
15	Rosestar Marketing Pvt. Ltd.	Shared common director (Gurpreet Singh Sodhi) with Ranchem (Sr. No. 23), Ad Advertising (Sr. No. 8) Shared common director (Prem Lata) with Ad Advertising (Sr. No. 8) As per RFL's proposal notes, its shareholding was as follows:- Ad advertising (Sr. No. 8) 50%- Volga Management (Sr. No. 18)- 50%
16	Star Artworks Pvt. Ltd.	Shared common director (Chandra Shekhar Jha) with Ad Advertising (Sr. No. 8), Volga (Sr. No. 18), Ranchem (Sr. No. 23), Rosestar (Sr. No. 15)

		Shared common director(Sanjeev Kumar Singhal) with Ad Advertising (Sr. No. 8), Volga (Sr. No. 18), Ranchem (Sr. No. 23), Rosestar (Sr. No. 15) & ANR Securities (Sr. No. 22)
17	Tripoli Investment & Trading Co.	As per RFL's proposal notes,.its shareholding was as follows:-Ad Advertising (Sr. No. 8) -33.33%, Rosestar Marketing (Sr. No. 15) -33.62% & Volga (Sr. No. 18) -33.33%
18	Volga Management and Consultancy Pvt. Ltd.	As per RFL's proposal notes, its shareholding was as follows:-Ad Advertising (Sr. No. 8) -50%, Rosestar Marketing(Sr. No. 15) -50%
19	Gurudev Financial Services Private Limited	Shared common address (2764/17, 2nd floor, Hamilton Road, Mori Gate, New Delhi) with Sridham Distributors Private Limited (Sr. No. 43); Financial transaction was observed with RFL (Sr. no. 2) , Modland Wears (Sr. No. 14), Spinstar (Sr. No. 47), Kalyan Vyapaar (Sr. No. 46) , Yashodham Merchants (Sr. No. 30)
20	Zolton Properties Pvt. Ltd.	Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland (Sr. No. 14), Fern (Sr. No. 13) & Torus (Sr. No. 21). As per RFL's proposal notes, it's shareholding pattern was as follows: Saubhagya (Sr. No. 24) – 33%, Tiger – 33%, Artifice (Sr. No. 9) -33%.
21	Torus Buildcon Private Limited	Shared common address (A-113, Brotherhood Apartments, H Block, Vikaspuri, New Delhi) with Modland (Sr. No. 14), Fern (Sr. No. 13) & Zolton (Sr. No. 20) Shared common director (Ruby Gabadia) with Artifice (Sr. No. 9) & Fern (Sr. No. 13) As per proposal notes, it's shareholding pattern was as followed: Saubhagya (Sr. No. 24) – 50%, Tiger – 50%.
22	ANR securities Private Limited	Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with RHC Holding (Sr. No. 3), Malav Holdings (Sr. No. 6) & Shivi Holdings(Sr. No. 7) Shared common director (Sanjeev Kumar Singhal) with Ad Advertising (Sr. No. 8), Volga (Sr. No. 18), Ranchem (Sr. No. 23), Rosestar (Sr. No. 15) & ANR Securities (Sr. No. 22) Shared Common directors named Hemant Dhingra with A1 Book company (Sr. No. 5), Ranchem Private Limited (Sr. No. 23), ANR Securities Private Limited (Sr. No. 22), Religare Corporate Services Limited (Sr. No. 4). As per RHC Holding (Sr. No. 3) Annual reports for the IP, MMS and SMS able exercise significant influence over entity and subsequently a subsidiary of RHC Holding in 2014.
23	Ranchem Private Limited	Shared common director (Pramod Ahuja) with Devera (Sr. No. 11) Shared Common directors named Hemant Dhingra with A1 Book company (Sr. No. 5), Ranchem Private Limited (Sr. No. 23, ANR Securities Private Limited (Sr. No. 22), Religare Corporate Services Limited (Sr. No. 4) As per RHC Holding (Sr. No. 3) Annual reports, MMS and SMS were able exercise significant influence over the entity and which became subsidiary of RHC Holding in 2014.
24	Saubhagya Buildcon Private Limited	As on March 31, 2013, it's shareholding pattern was as follows: Zolton (Sr. No. 20) – 33%, Tiger Developers Private Limited – 33% & Artifice (Sr. No. 9) -33%.
25	Prius Real Estate Private Limitd	Shared common director (Gurpreet Singh Sodhi) with Ranchem (Sr. No. 23), Ad Advertising (Sr. No. 8) & Carol Securities (Sr. No. 28)
26	Oscar Investments Limited	Shared common director (SMS) with REL (Sr. No. 1), RHC Holding (Sr. No. 3) Shared common address (i.e. 55, Hanuman Road, Connaught Place, Delhi) with RHC Holding (Sr. No. 3), Malav Holdings (Sr. No. 6), Shivi Holdings (Sr. No. 7) & ANR Securities (Sr. No. 22) As on March 31, 2012, it's shareholding pattern was as followed: (RHC Holding (Sr. No. 3) – 30%, Shivi Holdings (Sr. No. 7) – 12%, Malav

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		Holdings (Sr. No. 6) – 12%) and as per Annual Reports of RHC Holding (Sr. No. 3), it was an associate of RHC Holding (Sr. No. 3) during the IP
27	Arihant Advertising Private Limited	Shared common director (Babu Lal Dhudhoria) with Nishu (Sr. No. 31) Financial transaction was observed with RFL (Sr. No. 2), Best Health Management (Sr. No. 10) , Sridham (Sr. No. 43), VSB Investments (Sr. No. 29), Gurudev financials (Sr. No. 19), Yashodham (Sr. No. 30), Carol Securities (Sr. No. 28), Neelanchal Holdings (Sr. No. 44), Saubhagya Buildcon (Sr. No. 24)
28	Carol Securities Private Limited	Shared common director (Gurpreet Singh Sodhi) with Ranchem (Sr. No. 23), Ad Advertising (Sr. No. 8) & Carol Securities (Sr. No. 28) Financial Transactions with RFL (Sr. No. 2), Sridham (Sr. No. 43), Neelanchal (Sr. No. 44),
29	VSB Investments Private Limited	Shared common director (Manoj Sharma, Devendra Kumar Goushal) with Nishu (Sr. No. 31) Financial transaction was observed with RFL (Sr. No. 2), Arihant (Sr. No. 27), Yashodham (Sr. No. 30)
30	Yashodham Merchants Private Limited	Financial transaction was observed with RFL (Sr. No. 2), Sridham (Sr. No. 43) , Torus Buildcon (Sr. No. 21), Symphony , Gurudev (Sr. No. 19), VSB Investments (Sr. No. 29), Carol securities (Sr. No. 28)
31	Nishu Finlease Private Limited	Shared common director (Manoj Sharma, Devendra Kumar Goushal) with VSB Investments (Sr. No. 29) Financial transaction was observed with RFL(Sr. No. 2), Modland Wears (Sr. No. 14), Torus Buildcon (Sr. No. 21), Nikhil Holdings (Sr. No. 32), VSB Investments (Sr. No. 29)
32	Nikhil Holdings Private Limited	Financial transaction was observed with RFL (sr. No. 2) , Best Healthcare Private Limited (Sr. No. 33), Devera Developers (Sr. No. 11), Rosestar Marketing(Sr. No. 15), Tara Alloys (Sr. No. 42), VSB Investments (Sr. No. 29)
33	Best Healthcare Private Limited	Best Healthcare holding 50% shares in Best Health Management Private Limited (Sr. No. 10). Various financial transaction was observed with Saubhagya Buildcon (Sr. No. 24), RHC Holding (Sr. No. 3) , ANR Securities (Sr. No. 22), Ranchem (Sr. No. 23), Artifice (Sr. No. 9), Torus (Sr. No. 21), Ad Advertising (Sr. No. 8)
34	Green Bio Fuels Farms Private Limited	Shared Common directors named Hemant Dhingra with A1 book company (Sr. No. 5), Ranchem Private Limited (Sr. No. 23), ANR Securities Private Limited (Sr. No. 22) As per RHC Holding (Sr. No. 3) Annual reports for the IP, MMS and SMS able exercise significant influence over entity and subsequently a subsidiary of RHC Holding (Sr. No. 3).
35	Fortis Healthcare Holdings Private Limited	Shared common director (MMS, SMS) with RHC Holding (Sr. No. 3), REL (Sr. No. 1) RHC Holding (Sr. No. 3) was its holding company during IP.
36	Decent Financial Services Private Limited	Financial transaction was observed with RFL(Sr. No. 2), Best Healthcare (Sr. No. 33) , Ad Advertising (Sr. No. 8), Sridham (Sr. No. 43) , Gurudev (Sr. No. 19), Yashodham (Sr. No. 30),
37	OSPL Infradeal Private Limited	Various Financial transaction with RFL (Sr. No. 2), Bharat Road Network Limited (Sr. No. 38), SREI Infrastructire Finance Limited (Sr. No. 39)
38	Bharat Road Network Limited	SREI infrastructure Finance Limited (Sr. No. 39) is the promoter group entity of BRNL. Financial Transaction with RFL(Sr. No. 2)
39	SREI Infrastructure Finance Limited	Various Financial transaction with Torus Buildcon (Sr. No. 21), OSPL (Sr. No. 37)
40	Platinum Infrastructure Pvt. Ltd.	Financial transaction with RFL (Sr. No. 2), Prius Real Estate (Sr. No. 25) Shared Common directors named Sukhvinder Singh Garewal & Jagatbir Singh Sindhu with Prius Commercial Projects Private Limited which

		shared common director named Shabnam Dhillon with Prius Real Estate (Sr. no. 25)
41	A&A Capital Services Private Limited	Various financial transaction was observed with RFL (Sr. No. 2), Carol Securities (Sr. No. 28), Sridham (Sr. No. 43), Artifice (Sr. No. 9), Neelanchal. (Sr. No. 44)
42	Tara Alloys Limited	Various financial transaction was observed with Yashodham (Sr. No. 30), Nikhil Holdings (Sr. No. 32), Gurudev (Sr. No. 19)
43	Sridham Distributors Private Limited	Various financial transaction was observed with Decent Financial (Sr. No. 36), Devera Developers (Sr. No. 11), Best Health Management (Sr. No. 10), Modland Wears (Sr. No. 14), Saubhagya Buildcon (Sr. No. 24), Nishu (Sr. No. 31) Shared common address (2764/17, 2nd floor, Hamilton Road, Mori Gate, New Delhi) with Gurudev Financial (Sr. No. 19).
44	Neelanchal Holdings Private Limited	Various financial transaction was observed with RFL (Sr. No. 2), Best Healthcare (Sr. No. 33), Modland Wears (Sr. No. 14), Torus Buildcon (Sr. No. 21), Devera Developers (Sr. No. 11), Decent financial (Sr. No. 36), VSB Investments (Sr. No. 29)
45	TCK Finance & Leasing Private Limited	Financial transaction was observed with Best Health Management (Sr. No. 10), Spinstar (Sr. No. 47)
46	Kalyan Vyapaar Private Limited	Shared common director Panna Lal Maloo with TCK Finance (Sr. No. 45) Various financial transaction was observed with RFL (Sr. No. 2), Best Health Management (Sr. No. 10), TCK Finance (Sr. No. 45), Spinstar (Sr. No. 47), Yashodham (Sr. No. 30), Sridham (Sr. No. 43)
47	Spinstar Finvest Private Limited	Various financial transaction with RFL (Sr. No. 2), Kalyan (Sr. No. 46), Yashodham (Sr. No. 30), Neelanchal (Sr. No. 44), Gurudev (Sr. No. 19)
48	Symphony Merchants Private Limited	Various financial transaction was observed with Spinstar Finvest (sr. No. 47), Yashodham (Sr. No. 30), Kalyan Vyapaar (sr. No. 46), TCK Finance (Sr. No. 45), Torus buildcon (Sr. No. 21)
49	Annies Apparel Private Limited	Various financial transaction was observed with Modland Wears (Sr. No. 14), Religare Finvest Limited (Sr. No. 2), Gurudev financials (Sr. No. 19), Nikhil Holdings (Sr. No. 32), A & A Capital (Sr. No. 41), Nishu Finlease (Sr. No. 31)
50	Rexcin Finance Private Limited	As on Marhc 31, 2014, its 50% shareholding was held by Devera Developers (Sr. No.. 11), Shares common directors (promod Ahuja. Rana Gill) with Best Healthcare (Sr. No 33) , Devera Developers (Sr. No 11)

8. In view of the aforesaid, the Competent Authority approved adjudication proceedings against 63 noticees in the matter on October 8, 2020. Thereafter, WTM, SEBI vide order dated November 12, 2020 substituted the proceedings under Section 11/11B of the SEBI Act, 1992 against the 16 entities with the adjudication proceedings, which are already part of the 63 noticees, herein.

APPOINTMENT OF ADJUDICATING OFFICER

9. Initially, Shri Amit Pradhan, Chief General Manager was appointed as Adjudicating Officer on January 06, 2021 in the matter to inquire and adjudge under Rule 4 of the SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (SEBI Adjudication Rules) and Rule 4 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (SCR Adjudication Rules); and under sections 15HA and 15HB of the SEBI Act and 23H of the SCRA, for the alleged violations of various provisions of securities laws. A consolidated Show

Cause Notice (SCN) dated February 15, 2021 was issued to the 63 entities. Further, the competent authority transferred the Adjudication Proceedings in the matter to Shri G Ramar on June 18, 2021. Thereafter, vide order dated July 16,2021, the competent Authority approved the transfer of the Adjudication proceedings in the matter to the undersigned and the same was communicated to the undersigned on July 20, 2021. The undersigned has been appointed as Adjudication Officer in addition to his existing portfolio as additional task.

10. Pursuant to amalgamation of LVB with DBS Bank India Ltd. (DBIL), the Competent Authority vide order dated February 18, 2022 approved the continuation of the instant adjudication proceedings (initiated against LVB) against DBS Bank India Ltd. Thereafter, vide Corrigendum to Communication of the Order appointing Adjudicating Officer dated March 11, 2022, the undersigned was appointed as Adjudicating Officer for continuing the adjudication proceedings against DBIL.

SHOW CAUSE NOTICE AND PROVISIONS ALLEGED TO BE VIOLATED

11. Based on the findings of the forensic audit of MAS and investigation conducted by SEBI as stated above, a SCN dated February 15, 2021 was issued to 63 entities by the then Adjudicating Officer Shri Amit Pradhan. Further, a Corrigendum to SCN dated March 24, 2022 was issued to DBIL (Noticee No. 20) for continuing the proceedings initiated against LVB on account of amalgamation of LVB into DBIL. The details of the noticees alongwith provisions alleged to have been violated by them is tabulated under:

Table 5 : List of Six Noticees alongwith allegations and penal provisions

Sr. No.	Noticees Nos.	Allegations	Penal Provisions
1	Noticees Nos. 1-43 and 57	Violated Sections 12A(a), (b) & (c) of the SEBI Act and Regulations 3(b), (c) & (d) and 4(1) of the PFUTP Regulations. These entities have been alleged to be part of a fraudulent and deceptive device wherein they acted in a fraudulent manner which led to diversion of funds to the tune of Rs. 2473.66 crore (approx.) through a material subsidiary of REL for the ultimate benefit of their promoters i.e. primarily RHC Holding and in turn Malvinder Mohan Singh and Shivinder Mohan Singh, as well as	Section 15HA of the SEBI Act

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Adjudicating Officer Securities and Exchange Board of India Act, 1992

		misrepresentation of financial statements of REL. Further, there was misuse of funds of RFL by way of rollover of loans by RFL.	
2	Noticee Nos. 44-56	Violated Sections 12A(a), (b) & (c) of the SEBI Act and Regulations 3(b), (c) & (d) and 4(1) of the PFUTP Regulations. These noticees have been alleged to have played a role in the approval of grant of loans by RFL to various borrower companies, wherein they failed to carry out adequate due diligence and exercise independent judgment. Thus they indirectly aided in misuse and diversion of funds of REL through RFL.	Section 15HA of the SEBI Act
3	Noticee Nos. 51 and 60	Sections 12A(a), (b), (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), Regulations 4(1), 4(2)(f) & (r) of PFUTP Regulations, 2003. Clauses 32 and 36 of the Listing agreement, Clauses 49(I)(C)(1)(a) & (d); 49(VIII)(A)(1) of the Listing agreement {post circular dated April 17, 2014} read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA,1956. Regulations 4(1)(a),(b),(c),(d),(g),(h),(i),(j), 30(1), 48, 51(1) and 53(f) of LODR Regulations, 2015. Played a role in the misrepresentation and non-disclosure of material information in the financials of RFL and consequently consolidated financials of REL. The misrepresentation also included routing of funds through various borrower entities in a structured manner for benefit of the promoters of REL (listed company) which circumvented the provisions pertaining to related party transactions.	Section 15HA of the SEBI Act. Section 15HB of the SEBI Act and Section 23H of SCRA.
4	Noticee Nos. 45 and 51	Clause 49(V) of the Listing Agreement; Clause 49(IX) of the Listing Agreement (post circular dated April 17, 2014) read	Section 15HA of the SEBI Act.

		with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA, 1956. Regulation 17(8) & 33(2)(a) of the LODR Regulations, 2015. The CEO/CFO certificate issued by these entities in the Annual Report of REL *inter-alia* stating that "the financials of REL presented true and fair view of its affairs and not containing any misleading statement" which was misleading.	Section 15HB of the SEBI Act and Section 23H of SCRA.
5	Noticee Nos. 47, 52, 53 and 58-60	Clause 49(I)(D) of the Listing Agreement, 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 dated April 17, 2014) 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. These directors of REL failed to discharge their duties in an effective manner and to abide by principles governing disclosures and obligations, which was required in the best interests of the listed company and its shareholders.	Section 15HB of the SEBI Act and Section 23H of SCRA.
6	Noticee Nos. 53, 60 and 61	Clauses 49(II)(D)(1), (4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49(III)(D)(1), (4),(5) & (9); 49(III)(E)(1)(2);49(V)(B) of the Listing Agreement {post circular dated April 17, 2014} 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),(2) under Part C of Schedule II and Regulations 24(2) of the LODR Regulations, 2015. These Audit Committee members of Religare Enterprises Ltd failed to discharge their duties as members of the Audit Committee of a listed company.	

7	Noticee Nos. 62-63	Sections 12A(a), (b), (c) of the SEBI Act, 1992 and Regulations 3(b),(c) & (d), 4(1) and 4(2)(f) & (r) of PFUTP Regulations, 2003. Partners in the Statutory Auditor of REL and RFL indirectly aided in misrepresentation and non-disclosure of material information in consolidated financials of REL by failing to comply with Code of Ethics and Standards of audit as prescribed by ICAI in SA 200, SA 240 as well as Guidance notes of Loans & Advances.	Section 15HA of the SEBI Act.

RELEVANT PROVISIONS OF LAWS

12. The aforesaid provisions of laws alleged to have been violated by the six notices are as under:

*"**Section 12A of SEBI Act.***

No person shall directly or indirectly

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

*"**Regulation 3 of the PFUTP Regulations***

Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) .....;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."

*"**Regulation 4 of the PFUTP Regulations***

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.

(2) Dealing in securities shall be deemed to be a[manipulative]fraudulent or an unfair trade practice if it involves any of the following:—

……..
(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;
……..
(r) planting false or misleading news which may induce sale or purchase of securities.
……"

*"**Section 21 of SCRA.** Where securities are listed on the application of any person in any recognized stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange."*

Clause 32 of Listing Agreement

"32. The company shall supply…..
……

If the company has changed its name…….
……..
Provided that tax expense shall be……..
……
……
The Company will also give a Cash Flow Statement along with Balance Sheet and Profit and Loss Account. The Cash Flow Statement will be prepared The Cash Flow Statement will be prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) issued by the Institute of Chartered Accountants of India, and the Cash Flow Statement shall be presented only under the Indirect Method as given in AS-3.

The company will mandatorily publish Consolidated Financial Statements in its Annual Report in addition to the individual financial statements. The company will have to get its Consolidated Financial Statements audited by the statutory auditors of the company and file the same with the Stock Exchange.

The company will make disclosures in compliance with the Accounting Standard on "Related Party Disclosures" in its Annual Report.

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Disclosure of loans/advances and investments in its own shares by the listed companies, their subsidiaries, associates etc.

The following disclosure requirements shall be complied by the companies in the Annual Accounts

Sr. No.	*In the Accounts of*	*Disclosures of amounts at the year end and the maximum amount of loans/advances/Investments outstanding during the year.*
1	*Parent*	• *Loans and advances in the nature of loans to subsidiaries by name and amount.* • *Loans and advances in the nature of loans to associates by name and amount.* • *Loans and advances in the nature of loans where there is* *(I) no repayment schedule or repayment beyond seven years or* *(II) no interest or interest below section 372A of Companies Act by name and amount* • *Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.*
2	*Subsidiary*	*Same disclosures as applicable to the parent company in the accounts of subsidiary company.*
3	*Parent*	*Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.*

……"

Clause 36 of Listing Agreement

"36. Apart from complying with all specific requirements, the Issuer will intimate to the Stock Exchanges, where the company is listed immediately of events such as strikes, lock outs, closure on account of power cuts, etc. and all events which will have a bearing on the performance / operations of the company as well as price sensitive information both at the time of occurrence of the event and subsequently after the cessation of the event in order to enable the security holders and the public to appraise the position of the Issuer and to avoid the establishment of a false market in its securities. In addition, the Issuer will furnish to stock exchange(s) on request such information concerning the Issuer as the stock exchange(s) may reasonably require. The material events may be events such as:-
…… The above information should be made public immediately."

"Clause 49 of Listing Agreement:

I. Board of Directors

(C) Disclosure and transparency (post circular dated April 17, 2014)

1. The company should ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the company.
a. Information should be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
……
d. The company should implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders

and should also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

(D) Code of Conduct (prio to circular dated April 17, 2014)

(i) The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be posted on the website of the company.
(ii) All Board members and senior management personnel shall affirm compliance with the code on anannual basis. The Annual Report of the company shall contain a declaration to this effect signed by the CEO.

(D) Responsibilities of the Board (post circular dated April 17, 2014)

1. Disclosure of Information
b. The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

2. Key functions of the Board
The board should fulfill certain key functions, including:

f. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

3. Other responsibilities

c. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
.....
f. The Board should apply high ethical standards. It should take into account the interests of stakeholders.
g. The Board should be able to exercise objective independent judgement on corporate affairs.
.....
i. The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the company to excessive risk.
.....
l. Board members should be able to commit themselves effectively to their responsibilities.

II. Board of Directors

E. Code of Conduct (post circular dated April 17, 2014)
1. The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be posted on the website of the company.
2. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the CEO.

III. Board of Directors

D. Role of Audit Committee and (Clause 49(II)(D)(1), (4),(5) (prior to circular dated April 17, 2014))

The role of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
.....
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
b. Changes, if any, in accounting policies and practices and reasons for the same
c. Major accounting entries involving estimates based on the exercise of judgment by management
d. Significant adjustments made in the financial statements arising out of audit findings
e. Compliance with listing and other legal requirements relating to financial statements
f. Disclosure of any related party transactions
g. Qualifications in the draft audit report

5.Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
.....
9. Scrutiny of inter-corporate loans and investments;

E. Review of information by Audit Committee (post Circular dated April 17, 2014)
The Audit Committee shall mandatorily review the following information:
1.Management discussion and analysis of financial condition and results of operations;
2.Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;....

V. Subsidiary Companies (post Circular dated April 17, 2014)
A. At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.

B. The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

C. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

D. The company shall formulate a policy for determining 'material' subsidiaries and such policy shall be disclosed to Stock Exchanges and in the Annual Report.

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E. For the purpose of this clause, a subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

F. No company shall dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting.

G. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary shall require prior approval of shareholders by way of special resolution.

Explanation (i): The term "material non-listed Indian subsidiary" shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Explanation (ii): The term "significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.

Explanation (iii): Where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

V. CEO/CFO certification (prior to circular dated April 17, 2014) and IX. CEO/CFO certification (post circular dated April 17, 2014)

The CEO or the Managing Director or Manager or in their absence, a Whole Time Director appointed in terms of the Companies Act, 2013 and the CFO shall certify to the Board that:

A. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

1. *these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;*
2. *these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.*

B. There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

D. They have indicated to the auditors and the Audit committee:

1. significant changes in internal control over financial reporting during the year;

2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

3. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting."

VIII. Disclosures (post Circular dated April 17, 2014)

A. Related Party Transactions

1. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance."

*"**Regulation 4 of LODR Regulations:***

Principles governing disclosures and obligations.

4. (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

(a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.

(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

(d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.

.....

(g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.

(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

(2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.

.....

*(f) **Responsibilities of the board of directors:** The board of directors of the listed entity shall have the following responsibilities:*

(i)Disclosure of information:

(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the board of directors-

.....

(6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

.....

(iii) Other responsibilities:

(1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.

.....

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

.....

(6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.

(7) The board of directors shall exercise objective independent judgement on corporate affairs.

.....

(9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk

.....

(12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities."

"Regulation 17(8) of LODR Regulations

(8) The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II."

"Regulation 18(3) r/w Clauses A (1), (4), (5), (9), B (1) and (2) under Part C of Schedule IIof LODR Regulations

The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.

"

"Regulation 26 of LODR Regulations

(1)……
……..
(3) All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis."

"Regulation 30(1) of the LODR Regulations

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

"Regulation 33(2)(a) of LODR Regulations

(a) The quarterly financial results submitted shall be approved by the board of directors: Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity 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."

"Regulation 48 of the LODR Regulations

48. The listed entity shall comply with all the applicable and notified Accounting Standards from time to time."

"Regulation 51(1) of the LODR Regulations

51. (1) The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend 240 [or redemption of non-convertible securities."

"Regulation 53(1)(f) of LODR Regulations

53. (1)]The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following:
(a)….

(f) related party disclosures as specified in Para A of Schedule V."

II. SERVICE OF SCN, REPLIES, HEARING AND CONSIDERATION OF ALLEGATIONS

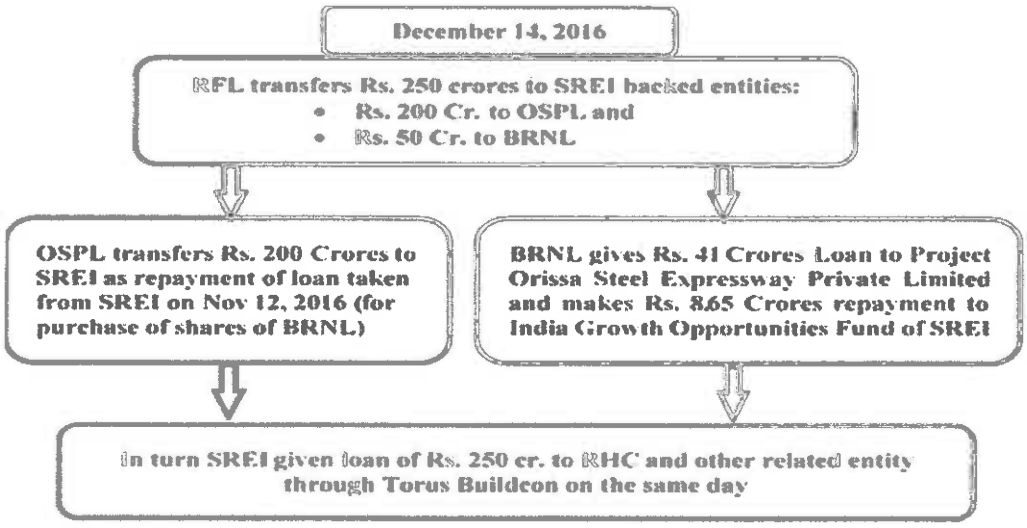
OSPL INFRADEAL PRIVATE LIMITED (NOTICEE NO. 1)
BHARAT ROAD NETWORK LIMITED (NOTICEE NO. 2)
SREI INFRASTRUCTURE PVT. LTD. (NOTICEE NO. 21)

13. The said noticee nos. 1, 2 and 21 are alleged to have been dealt with RFL directly or indirectly in respect of the investments made by RFL in the NCDs of the Noticee Nos. 1 and 2. Therefore, the allegations against the said three noticees are dealt with together hereunder.

A. *Sum and Substance of the Allegations*

14. It is alleged that RFL and the Noticee no. 21 entered into a back to back arrangement, pursuant to which RFL invested Rs. 200 Crores and Rs. 50 Crores in NCDs of the Noticee No. 1 & 2 respectively. In turn, the Noticee No. 21 transferred Rs. 250 Crores to RHC Holding through various layered entities as discussed herein below. It is alleged that the investment of Rs. 200 Crores by RFL in the NCDs of the Noticee No. 1 still remains unpaid.

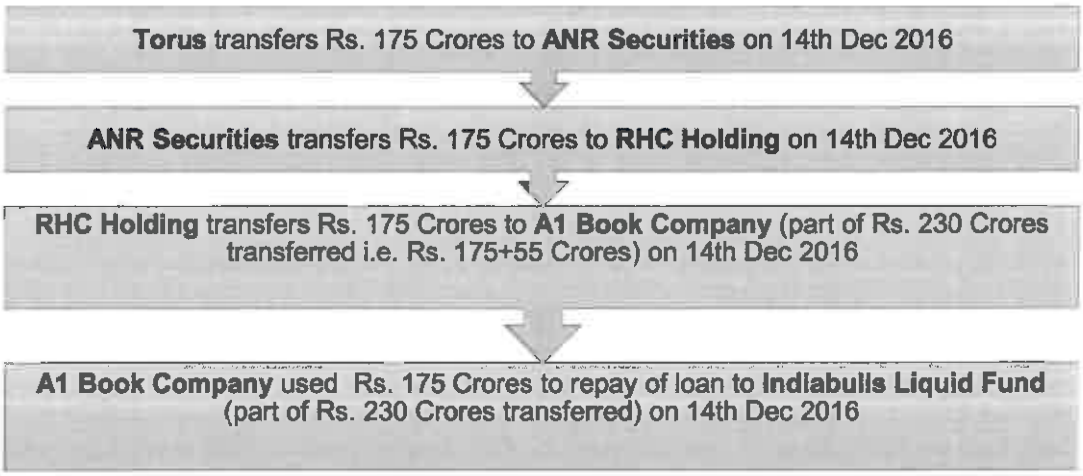
15. The flow of funds of Rs. 250 Crores invested by RFL in NCDs of the Noticee No. 1 and Noticee No. 2 is as under:



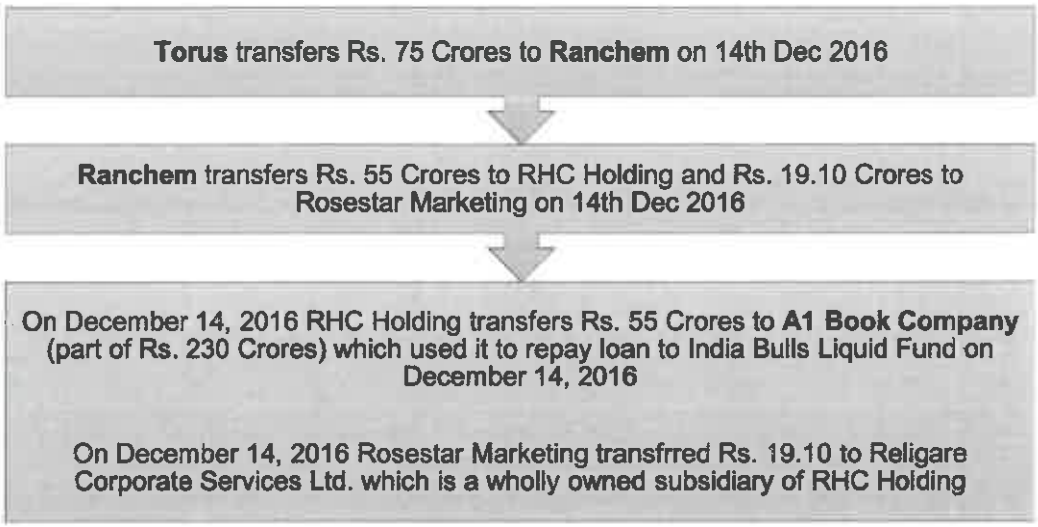
16. A loan of Rs. 250 Crores was given to Torus by SREI on December 14, 2016, which was transferred to RHC Holding (wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL) by Torus in following manner:

Rs. 175 Crores transferred through ANR Securities:

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Rs. 75 Crores transferred to Ranchem:



17. In view of the aforesaid, in the SCN it is alleged that, the Noticee No.1, Noticee 2 and Noticee No. 21 had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

18. The SCN was delivered by Speed Post Acknowledgment Due (SPAD) on February 22, 2021 to Noticee No. 1. Pursuant to the same, a letter dated March 04, 2021 was received from Insolvency Professional, Mr. Soumendra Podder who has been appointed official liquidator for liquidation of the

said noticee. An opportunity of hearing was also provided to Mr. Soumendra Podder, Insolvency Professional on February 3, 2022 wherein the authorized representative appeared through webex. In the said letter and in the hearing, the following was inter alia submitted:

*(i) RFL had initiated proceedings under Section 7 of the Insolvency and Bankruptcy Code, 2016 (**IBC**) before the Hon'ble National Company Law Tribunal, Kolkata Bench ("NCLT, Kolkata") being CP(IB) No. 928/KB/2018.*

(ii) In the aforesaid proceedings, the Hon'ble NCLT, Kolkata, vide order dated October 22, 2019 passed an order of liquidation of OSPL and appointed a liquidator.

19. The SCN addressed to the Noticee No. 2 was delivered on February 22, 2021. In response to the said SCN, BRNL filed reply dated March 20, 2021. Vide letter dated August 12, 2021, an opportunity of hearing was granted on September 07, 2021, which was adjourned to September 21, 2021. The said opportunity of hearing was availed by BRNL through webex and the hearing was concluded on the said date. In its reply and during the hearing, BRNL inter alia made following submissions:

(i) The Religare Group does not hold any share in BRNL and has no role in management and control of BRNL. Hence, BRNL is not associated with the Religare Group.

(ii) The corporate loan of Rs. 50 Crores was a genuine commercial transaction, borrowed by BRNL from RFL, an NBFC, vide Memorandum of Understanding (MoU) dated December 14, 2016. Further, BRNL has been regularly paying interest amount on the said loan accruing from December 14, 2016 till December 13, 2017.

(iii) Further, RFL had issued a recall notice dated February 28, 2018 demanding the payment of Rs. 50 Crores alongwith interest from BRNL. The said recall notice was followed by a notice dated March 19, 2018 for initiating proceedings under Insolvency and Bankruptcy Code. The said Insolvency Proceedings have been disposed vide Order dated September 6, 2019 passed the Hon'ble National Company Law Appellate Tribunal upon full repayment of loan.

(iv) BRNL was the actual user of the aforesaid loan from RFL. BRNL had given loan of Rs. 41 Crores loan to Project Orissa Steel Expressway Private ltd. and mad repayment of Rs. 8.65 Crores to India Growth Opportunities Fund of SREI.

(v) BRNL has no knowledge of alleged loan of Rs. 250 Crores given by SREI to RHC Holding. Further, BRNL was compliant thorugout the examination conducted by MSA.

(vi) BRNL was exonerated by the Confirmatory Order dated September 11, 2019 passed by Ld. Whole Time Member.

(vii) Not even a single penny out the aforesaid loan of Rs. 50 Crores has been transferred to the ultimate beneficiaries i.e. the erstwhile promoters of REL Group.

20. The SCN addressed to the Noticee No. 21 was delivered on February 22, 2021. SREI filed its reply dated June 14, 2021 in response to the said SCN. Vide letter dated August 12, 2021, an opportunity of hearing was granted on September 08, 2021. However, on various requests of SREI, the hearing was adjourned to September 28, 2021 then to October 8, 2021 and then to October 27, 2021. In the hearing scheduled on October 27, 2021 through webex, the representative of SREI further sought adjournment on account of Order dated October 8, 2021 passed by the Hon'ble National Company Law Tribunal, Kolkata Bench vide which, the Company Petition (CP(IB) No. 295/2021 filed against SREI under section 227 read with section 239(2)(zk) of the Insolvency and Bankruptcy Code, 2016 (IBC) has been admitted and moratorium under section 14 of IBC has been declared against the company. Therefore, another hearing opportunity was given to SREI on November 9, 2021 wherein SREI was represented by its authorized representative through webex. In its replies and during the hearing, SREI inter alia made following submissions:

(i) The proceedings initiated against SREI cannot be sustained as vide order dated October 8, 2021 passed by the Hon'ble National Company Law Tribunal, Kolkata Bench the Company Petition (CP(IB) No. 295/2021 filed against SREI under section 227 read with section 239(2)(zk) of the Insolvency and Bankruptcy Code, 2016 (IBC) has been admitted and moratorium under section 14 of IBC has been declared in respect of proceedings against SREI. In this regard, reference was made to the judgment of the Hon'ble SAT in the matter of Dewan Housing Finance Corporation Ltd. (DHFL) Vs. SEBI (Appeal No. 206 of 2020).

(ii) SREI was not a borrower of RFL nor acted as conduit to direct/transfer funds from RFL.

(iii) No connection of SREI by way of common address, common directors or common shareholders is shown with the erstwhile promoters of REL/RFL. The connection is only established on the basis of transactions.

(iv) The allegations made against SREI are incorrect as SREI had given loan of Rs. 250 Crores to Torus and not to RHC Holding. Further, this loan has been repaid by Torus. The said loan was adequately secured by way of exclusive charge on all movables and current assets of Torus under the Deed of Hypothecation, Negative Lien Undertaking and Demand Promissory Note.

(v) Loans given by RFL to BRNL and OSPL has no bearing or obligation on SREI and SREI has no knowledge of any such transaction between RFL, OSPL and BRNL.

(vi) It is admitted position, that the loan of Rs. 50 Crore to BRNL by RFL was genuine loan transaction as can be inferred from the order passed by Ld. WTM dated September 11, 2019.

(vii) As regards subscription to NCDs of OSPL of the value of Rs. 200 Crore by RFL on December 14, 2016 and payment of Rs. 195.16 crore out of the said amount by OSPL to SREI, SREI has submitted that it had given Rs. 245 Crore to OSPL under the loan agreement dated October 31, 2016 against the security. Out of the said loan, SREI had disbursed a sum of Rs. 195.16 and OSPL was required to repay the loan in two years after a moratorium of 12 months from the first disbursement. Hence, the allegation that if the loan was not repaid to SREI by OSPL the same would have become NPA is without any basis.

(viii) It is irreconcilable that as to how the transaction could be termed as back to back when admittedly, BRNL and Torus both have repaid their respective loans.

(ix) Further, in respect of loan due from OSPL, SREI after giving notice to OSPL for recalling entire loan, invoked the pledge of shares of BRNL pledged by OSPL.

(x) As regards loan of Rs. 350 Crore given by SREI to OSPL noted by Forensic Auditors who have doubted the genuineness of the said loan transaction on the ground that the said loan could not be secured by way of pledge of equity shares held by OSPL in BRNL as the same were already pledged to RFL for its loan of Rs. 200 Crore. This observation is faulty and contrary to the facts of the case as OSPL had created pledge on the said shares on March 23, 2018 by executing pledge agreement in favour of SREI.

(xi) In view of the aforesaid, SREI denied its role in any fraudulent and deceptive device which led to diversion of funds from RFL for the benefits of erstwhile promoters of RHC Holding.

C. Consideration of Allegations, Replies and Submissions

21. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 1, 2 and 21 and their replies/written submissions.

22. I note that the Insolvency Professional Hon'ble NCLT, Kolkata vide order dated October 22, 2019 has passed an order for liquidation of OSPL under section 33 of IBC and has also appointed a liquidator for the same. I note that once an order of liquidation is passed, section 33(5) of the IBC bars institution of any new suit or other legal proceedings by or against the corporate debtor. However, I note that section 33(5) does not bar continuation of already initiated proceedings. In the case at hand, I note that the said liquidation order does not abate the current adjudication proceedings qua the Noticee No. 1. The reason for the same is that the proceedings in the matter

started way back in May 2018 when SEBI appointed forensic auditor to look in the matter. Further, subsequently, interim order dated March 14, 2019 and Confirmatory order dated September 11, 2019 were passed. In this regard, reference is also made to the decision of the Hon'ble Supreme Court in Sundresh Bhat v. Central Board of Indirect Taxes and Customs, 2022 SCC OnLine SC 1101, wherein the Hon'ble Supreme Court held as under:

> *"44. Therefore, this Court held that the authorities can only take steps to determine the tax, interest, fines or any penalty which is due. However, the authority cannot enforce a claim for recovery or levy of interest on the tax due during the period of moratorium. We are of the opinion that the above ratio squarely applies to the interplay between the IBC and the Customs Act in this context.*
>
> *54. On the basis of the above discussions, following are our conclusions:*
> *i) Once moratorium is imposed in terms of Sections 14 or 33(5) of the IBC as the case may be, the respondent authority only has a limited jurisdiction to assess/determine the quantum of customs duty and other levies. The respondent authority does not have the power to initiate recovery of dues by means of sale/confiscation, as provided under the Customs Act.*
> *After such assessment, the respondent authority has to submit its claims (concerning customs dues/operational debt) in terms of the procedure laid down, in strict compliance of the time periods prescribed under the IBC, before the adjudicating authority...."*

23. From the aforesaid decision of the Hon'ble Supreme Court, it can be stated that SEBI may assess/determine the penalty to be imposed on an entity in respect of which moratorium is imposed in terms of Sections 14 or 33(5) of IBC. The limited purpose of these proceedings is to determine if the Noticee No. 1 has violated any provisions of securities laws and if so, to assess and determine the penalty in order to enable SEBI to crystallise its claim. Therefore, the current proceedings can be continued qua the Noticee No. 1, however, penalty imposed if any shall be recovered in terms of provisions of IBC.

24. I note that the Noticee No. 1 has not redeemed the NCDs issued by it to RFL, therefore the amount Rs. 200 Crores invested by RFL in NCDs of the Noticee No. 1 remains unpaid. I note that the amount of Rs. 200 Crores invested by RFL in Noticee No. 1 was actually utilized by the Noticee No. 1 to repay an earlier loan taken by it from the Noticee No. 21. On the other hand, on the very same i.e. December 14, 2016, the Noticee No. 21 had transferred Rs. 250 Crores to RHC Holding thorugh various layered entities as back to back arrangement between RFL and SREI. Thus, the Noticee No. 1 was part of and contributed to the arrangement for diversion of money of RFL to RHC Holding (owned and controlled by Singh brothers).

D.V.Sch

25. The amount of Rs. 50 Crores invested in NCDs of Noticee No. 2 by RFL was utilised in following manner:

(a) The Noticee No. 2 granted a loan of Rs. 41 Crores to Project Orissa Steel Expressway Private Limited

(b) The Noticee No. 2 made repayment to India Growth Opportunities Fund of SREI

26. I note that in the extract of Investigation Report, there is no finding that the Project Orissa Steel Expressway Private Limited and India Growth Opportunities Fund are connected to the erstwhile promoter group entities of RFL/REL and no evidence has been given in this regard. In addition to the same, I also observe from the submissions of the Noticee No. 2 as well as from the extract of the Investigation Report that, the Noticee No. 2 has repaid the amount of Rs. 50 Cores alongwith interest to RFL which fact is also substantiated vide NCLAT order dated September 6, 2019 which disposed Insolvency Proceedings initiated by RFL against BRNL for recovery of Rs. 50 Crores. The said contention of repayment of Rs. 50 Crores by BRNL to RFL has also been recognised in the confirmatory order dated September 11, 2019. In view of the same, the diversion of funds to RHC Holding (wholly owned and controlled by Singh brothers) cannot be attributed to the Noticee No. 2.

27. The Noticee No. 21 has contended that the current proceedings against it cannot sustain in view of order dated October 8, 2021 passed by the NCLAT, Kolkata whereby moratorium under section 14 of IBC has been declared in respect of proceedings against SREI. In this regard, the Noticee No. 21 has referred to the order passed by SAT in the matter of DHFL (Appeal No. 206 of 2020). I have noted the said contention of the Noticee No. 21. I also note that the SAT order in the DHFL matter has been challenged by SEBI before the Hon'ble Supreme Court and the same is pending. Further, the Hon'ble Supreme Court in Sundresh Bhat v. Central Board of Indirect Taxes and Customs (Supra) has inter alia held that authorities can assess/determine the quantum of penalty, however, the authorities cannot recover the penalties so imposed. The limited purpose of these proceedings is to determine if the Noticee No. 21 has violated any provisions of securities laws and if so, to assess and determine the penalty in order to enable SEBI to crystallise its claim. In view of the same, I will deal with the allegations levelled against the Noticee No. 21, however penalty imposed, if any, shall be recovered subject to the provisions of IBC and outcome of the appeal filed by SEBI in the DHFL matter in the Hon'ble Supreme Court.

28. It is alleged that RFL and Noticee No. 21 entered into back to back transactions whereby RFL had invested Rs. 250 Crores in NCDs of Noticee No. 1 (Rs. 200 Crores) and Noticee No. 2 (Rs. 50 Crores) which were backed by Noticee No. 21 and pursuant to the same the Noticee No. 21 had transferred Rs. 250 Crores to RHC Holding (wholly owned and controlled by Singh brothers) through Torus as discussed above.

29. I note that the Noticee No. 21 lent Rs. 195.16 Crores to the Noticee No.1 on November 12, 2016, which was invested by the Noticee No. 1 to acquire the shares of the Noticee No. 2. The said loan is stated to have been repaid out of the money invested by RFL in NCDs of the Noticee No. 1 on December 14, 2016. I note from the material available on record that the Noticee No. 1 did not have adequate assets to repay the said loan of Rs. 195.16 Crores to the Noticee No. 21. Hence, it is clear that the Noticee No. 1 has used the funds invested by RFL in the NCDs of the Noticee No. 1 for repayment of the loan of Rs. 195.16 Crores taken from Noticee No. 21.

30. The Noticee No. 21 has contended that the question of the aforesaid loan of Rs. 195.16 Crores given to Noticee No. 1 becoming a NPA did not arise, as in terms of the loan agreement signed between the Noticee No. 1 and 21, the said loan was due for repayment after 2 years and that to after a moratorium of 12 months from the date of disbursement. However, I note that this argument is of no relevance, as the fact remains that the Noticee No. 1 got an investment of Rs. 200 Crores from RFL which was used to repay Rs. 195.16 Crores to the Noticee No. 21 which has not denied the said transaction. Further, I note that as on March 31, 2016, 99.50% shares of the Noticee No. 2 were held by SREI Venture Capital Trust. Therefore, the Noticee No. 2 was an entity controlled by the Noticee No. 21. Thus, the Noticee Nos.1 and 2 were backed by Noticee No. 21.

31. From the details of transaction, I note that the transactions between RFL and the Noticee Nos. 1& 2 and the transaction vide which RHC Holding (wholly owned and controlled by Singh brothers) received Rs. 250 Crores from the Noticee No. 21 through Torus took place on the same day.

32. The Noticee No. 21 has contended that the loan given to Torus on December 14, 2016 has been repaid by Torus. In this regard, from the FAR I note that the said repayment of loan by Torus to the Noticee No. 21 was in fact financed by the Noticee No. 21 itself. This indicates that the transactions entered into between the Noticee No. 21 and Torus was not genuine and an inference can be drawn that the said transaction was part of accommodative and back to back arrangement between RFL and the Noticee No. 21.

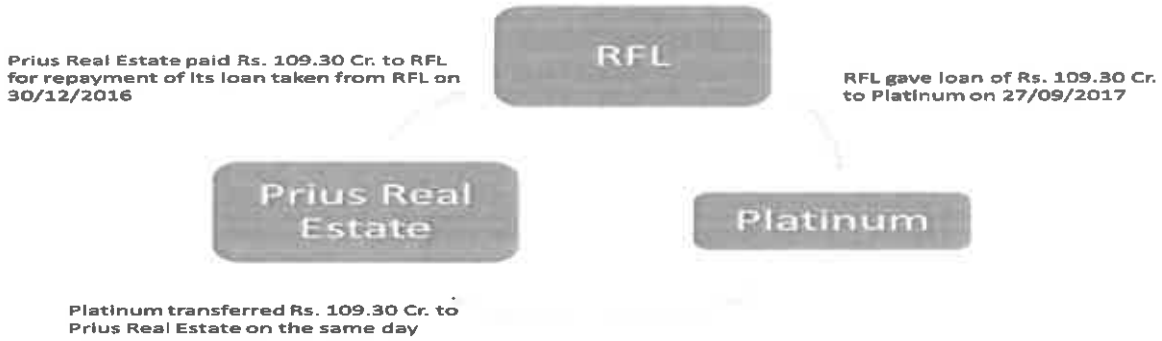
33. It cannot be a coincidence that on the same day on one hand RFL invested in the NCDs of the Noticee No. 1 and 2 (entities backed by the Noticee No. 21) and on very same day the Noticee No. 21 transferred Rs. 250 Crores to RHC Holding through various layered entities. Thus, the Noticee No. 1 was part of and contributed to the arrangement for diversion of money of RFL to RHC Holding (owned and controlled by Singh brothers).

34. In view of the aforesaid, I conclude that the Noticee No. 1 & 21 acted as a conduit entity in diversion of funds of Rs. 200 Crores of REL through RFL for the benefit of RHC Holding (wholly owned and controlled by Singh brothers).

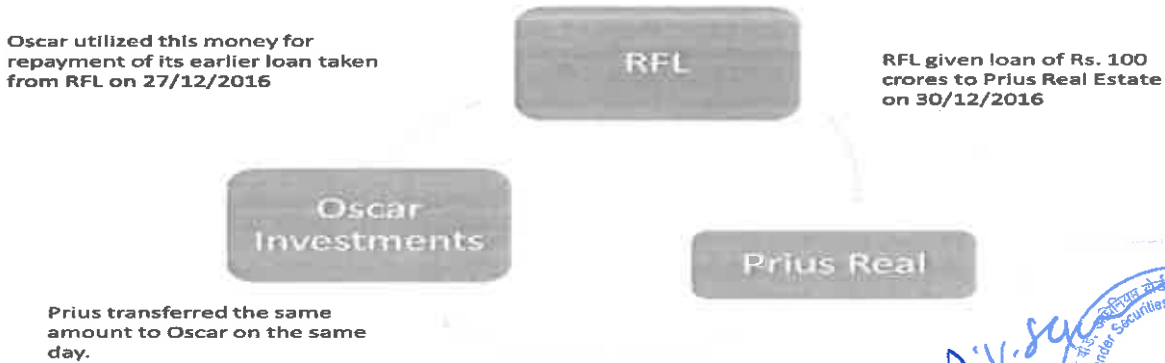
PLATINUM INFRASTRUCTURE PVT. LTD. (NOTICEE NO. 3)

A. *Sum and Substance of the Allegations*

35. It is alleged that, the Noticee No. 3 had taken a loan of Rs. 109 Crores from RFL and the utilization of the same is as under:



36. Further, the utilization of loan taken by Prius Real Estate from RFL on December 30, 2016, is as under:



37. The utilization of the aforesaid loan taken by Oscar Investment Ltd. from RFL on December 27, 2016 is as under:



38. In view of the aforesaid, it is alleged that, Noticee No. 3 had acted as a borrower entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003. The alleged violations against the other noticees in the aforesaid chain of transactions are dealt elsewhere in this order.

B. Service of SCN and subsequent replies

39. The SCN dated February 15, 2021 was sent to Noticee No. 3, however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on the address of Noticee No. 3 available with SEBI. Subsequently, a hearing notice dated August 18, 2021 was affixed on the same address as the one where SCN was affixed. The Noticee No. 3 came to know about the said affixture and vide letter dated August 20, 2021, the Noticee No. 3 provided new address to SEBI for serving SCN. Pursuant to the same, vide letter dated September 08, 2021 the Noticee No. 3 was supplied with the SCN dated February 15, 2021 alongwith the annexures.

40. The Noticee No. 3 filed reply vide letter dated September 24, 2021. In the interest of Justice, Notice of Hearing dated December 23, 2021 granting opportunity of hearing on January 06, 2022 was sent to the said Noticee by SPAD which was delivered on December 28, 2021. The Noticee appeared

through its authorized representative on January 06, 2022 on webex. The Noticee No. 03 in its reply and in the hearing has *inter alia* submitted as follows:

(i) The impugned proceedings suffer from laches. The SCN has been issued on February 15. 2021 (i.e. after four years of the impugned transactions). The said inordinate delay has not been explained by SEBI. On this ground alone, the SCN proceedings needs to be and ought to be discontinued and SCN needs to be dropped qua Platinum. In this context, Platinum has referred to various of the Hon'ble Securities Appellate Tribunal.

(ii) Platinum was incorporated on February 03, 2010 with Mr. Yuvraj Narain and Mrs. Sangeeta Narain. In mid-2016, the Erstwhile promoters of REL/RFL themselves took over control of the management of Platinum, as a dormant company. Due to the personal family relationship at the time between the Erstwhile promoters of REL/RFL and the erstwhile promoters of Platinum (viz. Mr and Mrs. Narain's daughter, Ms Dia Singh was married to Mr. Abhishek Singh, the brother in law of Mr. Shivinder Singh) and in the light of sensitivities in the relationship, the erstwhile promoters/shareholders of Platinum were compelled to handover Platinum to the Erstwhile promoters of REL/RFL to mange the company, in the understanding that the shareholding was also to be transferred to them at a later date.

(iii) Accordingly, in August 2016, the erstwhile promoters of REL/RFL appointed their relatives/persons as directors and subsequently, the two erstwhile promoters of Platinum resigned from the Board of Platinum. Post resigning, the erstwhile promoters of Platinum were merely dormant shareholders and they did not oversee the management, operations etc. of Platinum since the erstwhile promoters of REL/RFL were already in charge and control and were to acquire the shareholding of Platinum.

(iv) It was only in October 2018 when media articles about the Erstwhile promoters of REL/RFL became frequent and serious that the directors appointed by them, realizing that something was amiss, resigned. It is given to understand by the erstwhile promoters/shareholders of Platinum, that they used to unquestioningly follow the directions of Erstwhile promoters of REL/RFL and had in good faith signed documents on behalf of Platinum whenever they were so directed, but had no knowledge of contents.

(v) The marital discord between the young couple culminated in the dissolution of their marriage. Consequently, upon the resignation of directors appointed by the Erstwhile promoters of REL/RFL, who were the family members of Erstwhile promoters of REL/RFL, Mr. Yuvraj Narain came back as director on board of Platinum.

(vi) For deciphering the true nature of entry of Rs. 109 Crores created in the books of Platinum on September 27, 2017 other financial transactions done by RFL and its related entities as stated in SCN will have to be analysed. On the combined reading and analysis of transaction in the SCN coupled with the findings of SEBI in the Investigation Report, it is evident that effectively, RFL itself provided the funds to the extent of Rs. 109 Crores, so that Prius can return the same to RFL. In the process, loan liability of Prius vis a vis RFL was ostensibly liquidated and was shifted to the books of Platinum. By the said book entries artificial loan liability was created in the books of Platinum. It is clear that Platinum did not get any benefit from this transaction.

(vii) In context of the impugned transaction between RFL and Platinum, it is pointed out that in June 2018, RFL had initiated proceedings under section 7 of the Insolvency and Bankruptcy Code 2016 as a "Financial Creditor" against Platinum for the purported recovery of Rs. 109 Crores given by it on September 27, 2017 by filing petition before NCLT, Delhi. Platinum is contesting and disputing the said financial liability before NCLT.

(viii) Unlike other entities set out in the Investigation Report which are erstwhile promoter and owned by Erstwhile promoters of REL/RFL, Platinum is not erstwhile promoter or owned by the Erstwhile promoters of REL/RFL.

(ix) The erstwhile promoters of REL/RFL are the sole beneficiaries of the alleged diversion of fund. Not even a single penny has come to Platinum in any manner either directly or indirectly.

(x) Platinum itself is the victim of the fraud perpetrated by RFL/REL &its Erstwhile promoters.

(xi) The charge of violation of PFUTP Regulations is a serious charge and there must be strong evidence for the same. In this context, the Noticee No. 3 has referred to various case laws of the Hon'ble Supreme Court.

(xii) Further, at the time of hearing the Noticee submitted certain mitigating factors and prayed that no penalty be imposed on it.

C. <u>Consideration of Allegations, Replies and Submissions</u>

41. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 3 and its replies/written submissions.

42. I note that the Noticee No. 3 has raised a preliminary objection regarding delay in issuance of SCN and in this regard has also referred to various case laws. Apart from the Noticee No. 3, some of the

other noticees have also took similar preliminary objection on the delay and I have considered all the said contentions and the case cited by the noticees in this regard. The said preliminary objection has been discussed in part III which deals with appreciation of common contentions raised by some of the noticees.

43. Now I will deal with the allegations on the role of Noticee No. 3 in respect of diversion of funds. I note that the Noticee No. 3 had taken a loan of Rs. 109.30 Crores from RFL on September 27, 2017. As explained above, the said loan given to the Noticee No. 3 was ultimately utilised by Prius to pay off the earlier loan of Rs. 100 Crores taken by Prius from RFL on December 30, 2016. Upon further analysis, I note that the said loan of Rs. 100 Crores taken by Prius was transferred to Oscar which used the said amount to repay its earlier loan of Rs. 100 Crores taken from RFL on December 27, 2016.

44. As per the flow chart (as referred above) depicting the utilisation of loan taken by Oscar Investments from RFL on December 27, 2016, it is observed that the said funds had been utilised by RHC Holding (wholly owned by Singh brothers). The Noticee No. 3 has admitted that the said transactions are mere book entry, hence there no dispute on the correctness of the allegations.

45. The Noticee No. 3 has contended that during the period when loan was granted, it was manged by the Directors appointed by erstwhile promoters of REL/RFL as submitted in the reply by the said noticee. Further, the Noticee no. 3 has submitted that the loan granted to it was a mere book entry as is evident from the fact that loan was transferred to Prius on the same day when the loan was granted to Noticee no. 3. Further, Noticee no. 3 has also submitted that, the original shareholders of Noticee no. 3 are Mr. Yuvraj Narain and Mrs Sangeeta Narain (collectively referred to as Narains) who had allowed the erstwhile promoters of RFL to manage Noticee no. 3 and Narains were dormant shareholders. It is submitted by the Noticee no. 3 that, Narains let the erstwhile promoters of REL/RFL mange the company on account of the fact that their daughter was married to brother in law of Mr. Shvinder Singh. Further, the Noticee No. 3 has also submitted that RFL has initiated insolvency proceedings against Noticee no. 3 for recovery of the aforesaid loan granted to it.

46. However, the fact remains that admittedly the Noticee no. 3 was used as medium for diversion of fund to the erstwhile promoter group entities. Further, as original promoters/shareholders of Noticee no. 3, Mr. and Mrs. Narain could have raised concerns with RFL as to why such loan was granted to Noticee no. 3 when the networth and revenues of Noticee no. 3 were in negative.

47. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

48. In view of the aforesaid, I conclude that the Noitcee No. 3 acted as borrower entity and contributed to diversion of funds of Rs. 100 Crores of REL through RFL which was ultimately utilized for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) and Rs. 9.3 Crores which was mis-utilised by Prius for repayment of earlier loan as mentioned above.

49. The Noticee No. 3 has prayed to consider following mitigating factors:

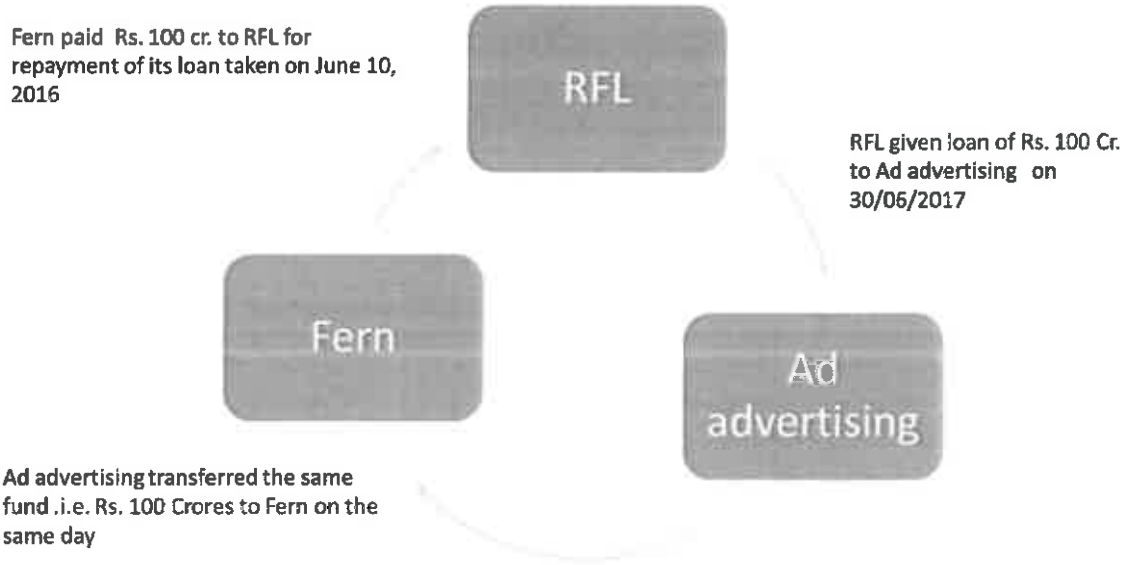
(a) As on dated the restrain directions given by the Whole Time Member, SEBI vide order dated march 14, 2019 and confirmed vide order dated September 11, 2019 continue to operate and Platinum has already suffered the said directions for around 2 ½ years.
(b) Platinum has enjoyed an impeccable track record. Save and except the proceedings arising out of the impugned transactions, no other proceedings have ever been initiated against Platinum or any action taken against Platinum by SEBI.
(c) There is no allegation that Platinum was the beneficiary of the alleged misuse and diversion of public shareholders funds and that the alleged violation is not repetitive in nature.
(d) Everyone is in the middle of the pandemic facing severe operational constraints and existential threats at different levels, keeping the well settled principles of proportionality and fairness, no monetary penalty be imposed on Platinum.

50. The aforesaid mitigating factors submitted by the Noticee No. 3 is considered separately while imposing the penalty on it.

AD ADVERTISING PVT. LTD. (NOTICEE NO. 4)

A. Sum and Substance of the Allegations

51. It is alleged that the Ad Advertising Pvt. Ltd. (Ad Advertising/Noticee No. 4) had taken a loan of Rs. 100 Crores from RFL on June 28, 2017, which was outstanding as on May 31, 2018. It was observed that the said fund has been utilised by Fern to repay its earlier loan taken from RFL on February 10, 2016. The pictorial representation of the circular movement of said fund are as follows-



52. 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:



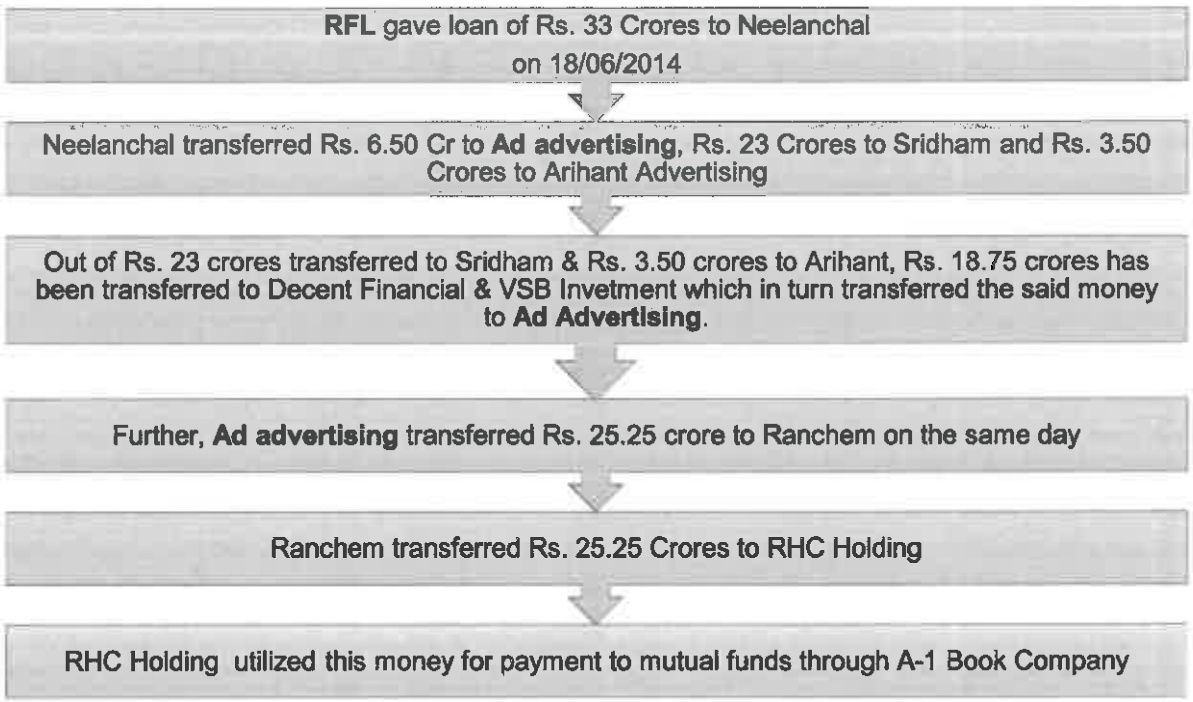
53. It is alleged that A-1 Book Company Pvt Ltd is a wholly owned subsidiary of RHC Holding which invested in liquid/debt mutual funds on behalf of and with funds provided by RHC Holding. Hence it was alleged that Rs. 100 Crores loan amount from RFL to Ad Advertising was ultimately diverted to RHC Holding.

54. It is further alleged that Ad Advertising acted as conduit entity in RFL's loan to A&A Capital.

Ad Advertising's role as conduit entity in RFL's loan to A&A Capital

55. RFL had granted unsecured loan of Rs. 100 Crores to A&A Capital on February 01, 2017. On the same day, out of the said amount A&A Capital transferred Rs. 90 Crores to Gurudev which utilised it to repay the loan of Rs. 90 Crores taken by it from RFL on August 25, 2015. Out of the aforesaid loan of Rs. 90 Crores taken by Gurudev from RFL on August 25, 2015, Rs. 85 Crores was transferred by Gurudev to Nishu Finlease Pvt. Ltd. (Nishu Finlease) on the same date. Nishu Finlease transferred Rs. 84.5 Crores to Neelanchal Holdings Pvt. Ltd. (Neelanchal) which used it to repay the loan of Rs. 84.5 Crores taken by it from RFL on June 18, 2014 and June 27, 2014. Neelanchal had taken loan of Rs. 33 Crores and Rs. 50 Crores respectively on the said dates.

56. The utilisation of the loan of Rs. 33 Crores taken by Neelanchal on June 18, 2014 is mentioned under:



57. From the flow chart hereinabove, it was alleged that Ad Advertising acted as conduit entity and facilitated diversion of Rs. 25.25 Crores in RFL's loan to A&A Capitals.

58. In view of the same it is alleged that, Ad Advertising Pvt. Ltd. had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

59. The SCN dated February 15, 2021 was sent to Ad Advertising at the last known address i.e. "H.No. - 574, 2nd Floor, Main Road, Chirag Delhi, New Delhi – 110 017", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Ad Advertising.

60. Subsequently, Notice of Hearing dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

61. Alternate address of the noticee was found from the MCA website, and in the interest of justice, a copy of SCN dated February 15, 2021 was sent to the alternate address i.e. "Shop No. 29, Ground Floor CSC, New Rajdhani CHBS Ltd, Preet Vihar, Delhi East Delhi 110092" vide letter dated April 26, 2022. However, the same returned undelivered. A copy of the letter was also sent to the noticee at email id mentioned on the MCA website i.e. – "ad.ddvertising@gmail.com", vide email dated April 26, 2022. Even though the said email was delivered, no reply was filed by the noticee.

C. Consideration of Allegations, replies and Submissions

62. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

63. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 4. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 4. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

64. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 4 had taken a loan of Rs. 100 Crores from RFL on June 28, 2017. As explained above, the said loan was ultimately utilized by RHC Holding, wholly owned and controlled by Singh brothers.

65. I further note that Ad Advertising acted as conduit entity and facilitated diversion of Rs. 25.25 Crores in RFL's loan dated June 18, 2014 to Neelanchal Holding, as explained above.

66. Therefore, I conclude that the Noticee No. 4, Ad Advertising acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

ARTIFICE PROPERTIES PVT. LTD. (NOTICEE NO. 5)

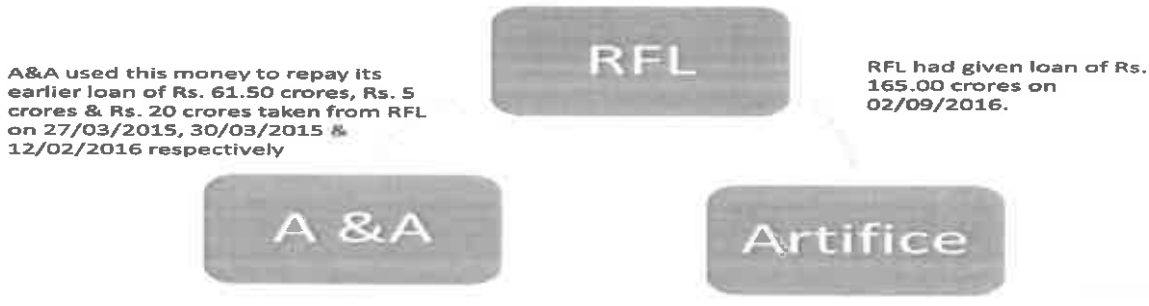
A. Sum and Substance of the Allegations

67. It is alleged that the Artifice Properties Pvt. Ltd (Artifice /Noticee No. 5) had taken a loan of Rs. 165 Crores from RFL on September 02, 2016. It was observed that the amount of aforesaid loans had been ultimately transferred to RHC Holding through various entities. The pictorial presentation along with 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

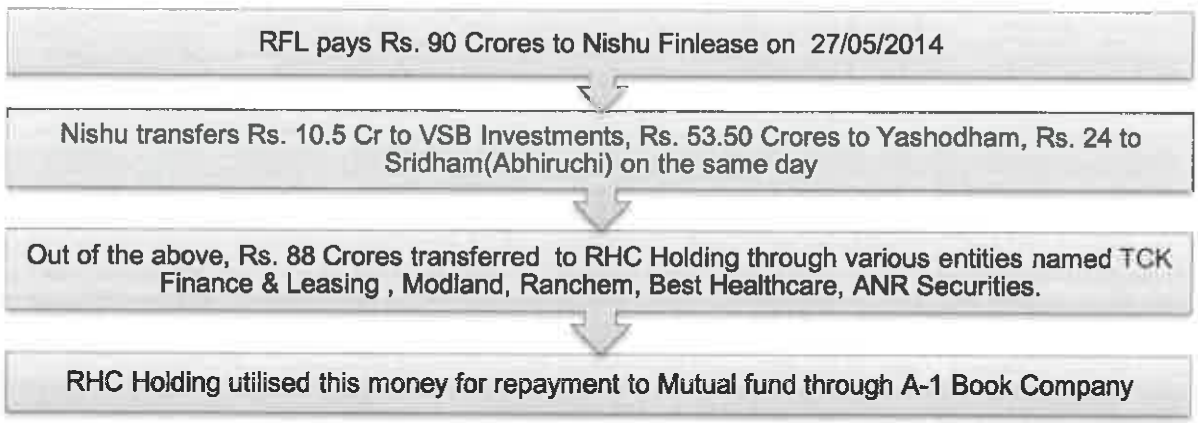
68. The trail of the above two transfers of Rs 90.50 Crores to A&A Capital and Rs 74.48 Crores to ANR Securities were analysed and it was found that Rs. 90.50 Crores was used by A&A Capital to repay earlier loans of Rs. 86 Crores taken from RFL itself. The pictorial presentation of the same is as follows –



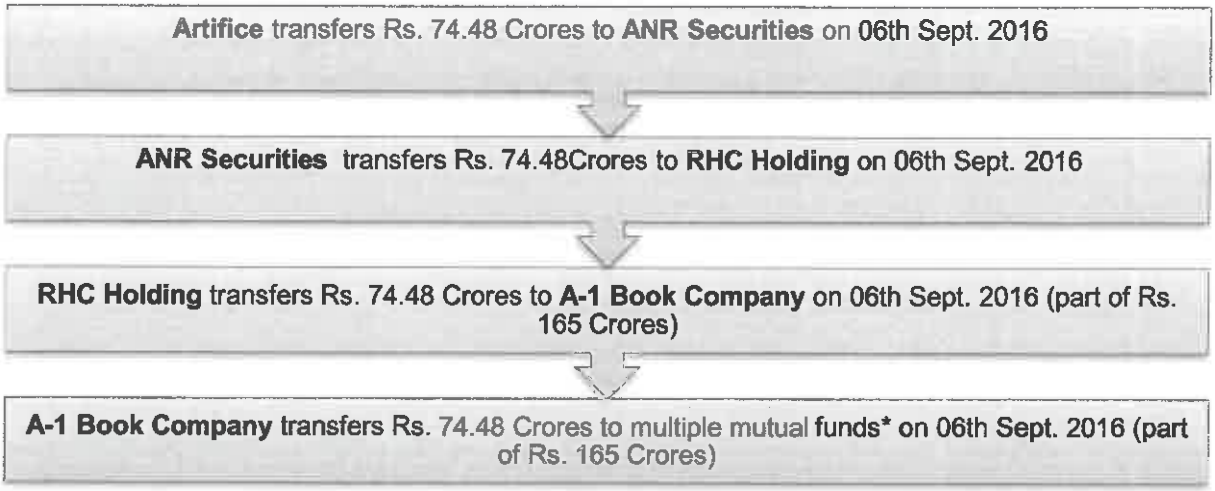
69. It is alleged that out of the loan amount of Rs. 61.50 Crores by RFL to A&A Capital on March 27, 2015, 59 Crores were further transferred to Nishu Finlease, which was further analysed. It was seen that Nishu had utilized this money to repay part of its earlier loan taken from RFL on May 27, 2014. The pictorial presentation of the said loan are as follows-



70. The loan given by RFL to Nishu on May 27, 2014 was utilized for the benefit of RHC holdings. The utilization of the loan was as follows-



71. Hence it was alleged that out of 90.5 Crores transferred to A&A Capital, Rs. 61.5 Crores were diverted for the benefit of RHC holding, and Rs. 25 Crores were mis-utilised for the repayment of earlier loans taken from RFL itself. The balance amount of Rs. 74.48 Crores had been utilised by RHC Holding to pay off its own liabilities in the books of A-1 Book Company due to multiple mutual funds. Pictorial representation of the same is as follows-



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

73. Thus, it was noted 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 payoff earlier loan of Rs. 86 Crores given by RFL to A&A Capital.
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**

74. It is further alleged that Artifice acted as conduit entity in RFL's loan to Volga and Gurudev.

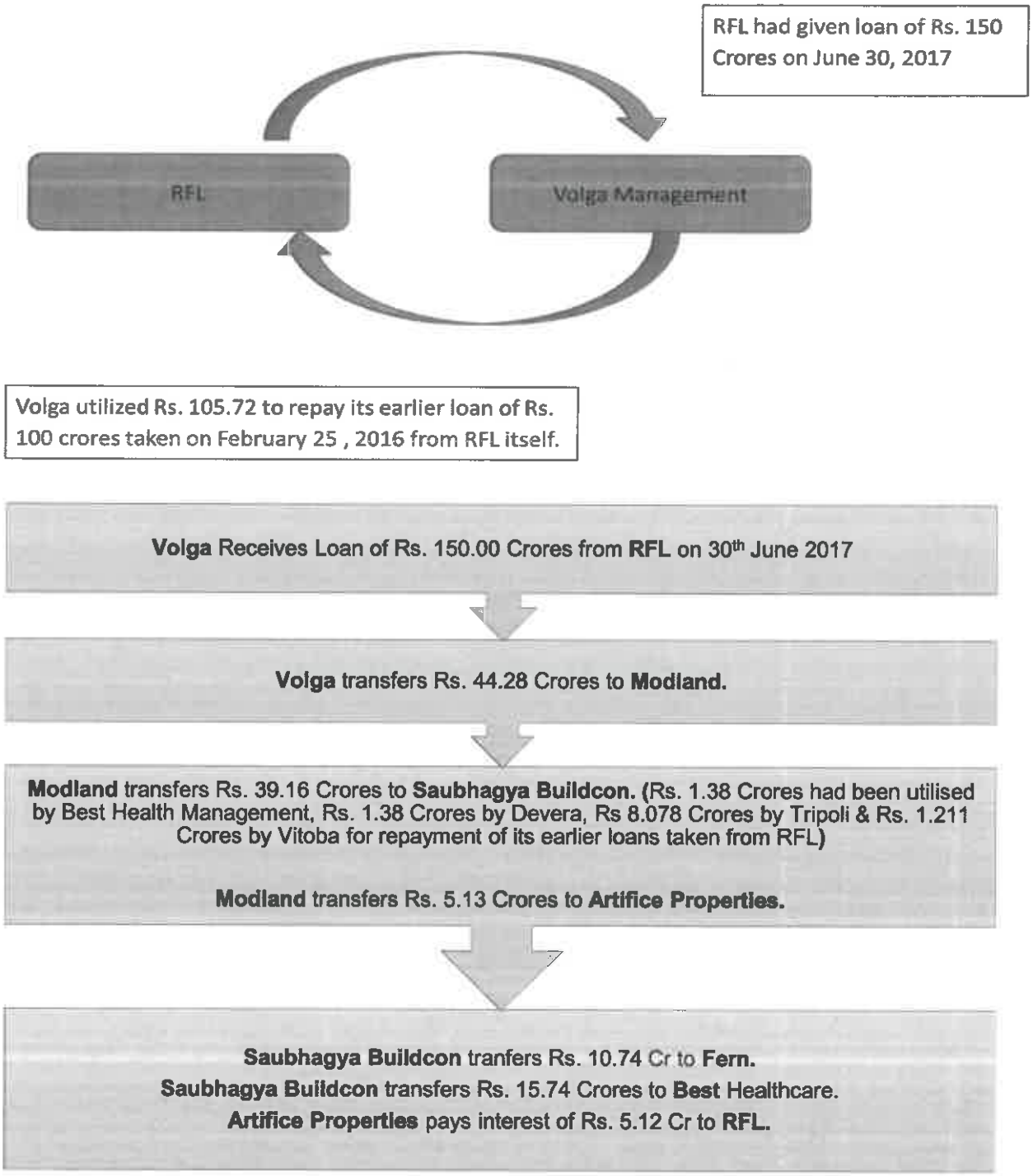
Artifice's role as conduit entity in RFL's loan to Volga

75. RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga Management & Consultancy private Limited (Volga). As regards the unsecured loan of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its aforesaid loan of Rs 100 Crores granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in following manner:

(i) On June 30, 2017 Volga transferred Rs. 44.28 Crores to Modland. Out of the said Rs. 44.28 Crores Modland transferred Rs. 39.16 Crores to Saubhagya and Rs. 5.13 Crores to **Artifice**.

(ii) The amount of Rs. 5.13 Crores transferred to Artifice was utilised by it to repay interest on earlier loan taken by it from RFL.

Pictorial representation of the same is as follows-



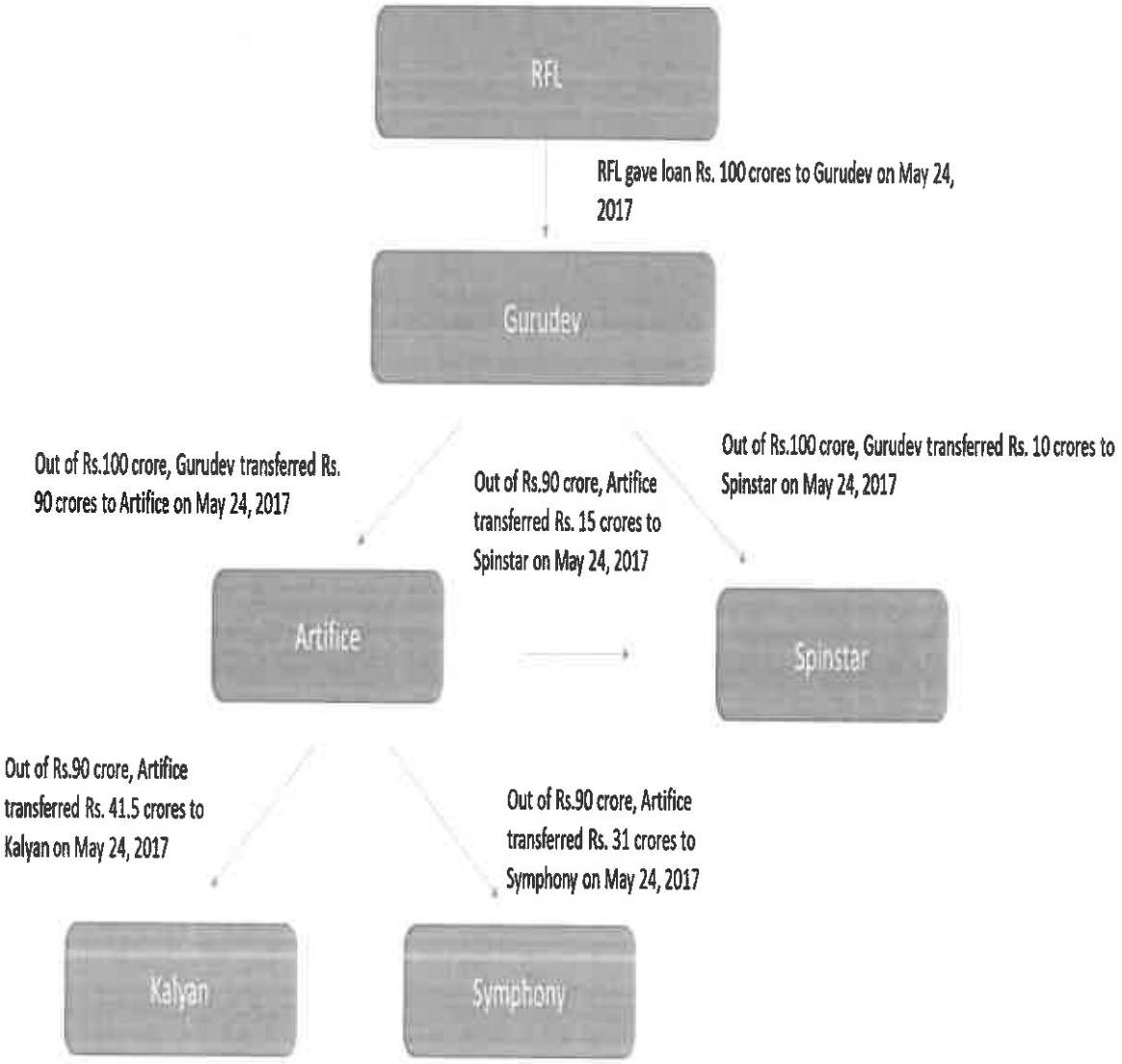
76. It was thus alleged that Artifice acted as conduit entity and facilitated mis-utilisation of Rs. 5.12 Crores in RFL's loan to Volga.

Artifice's role as conduit entity in RFL's loan to Gurudev

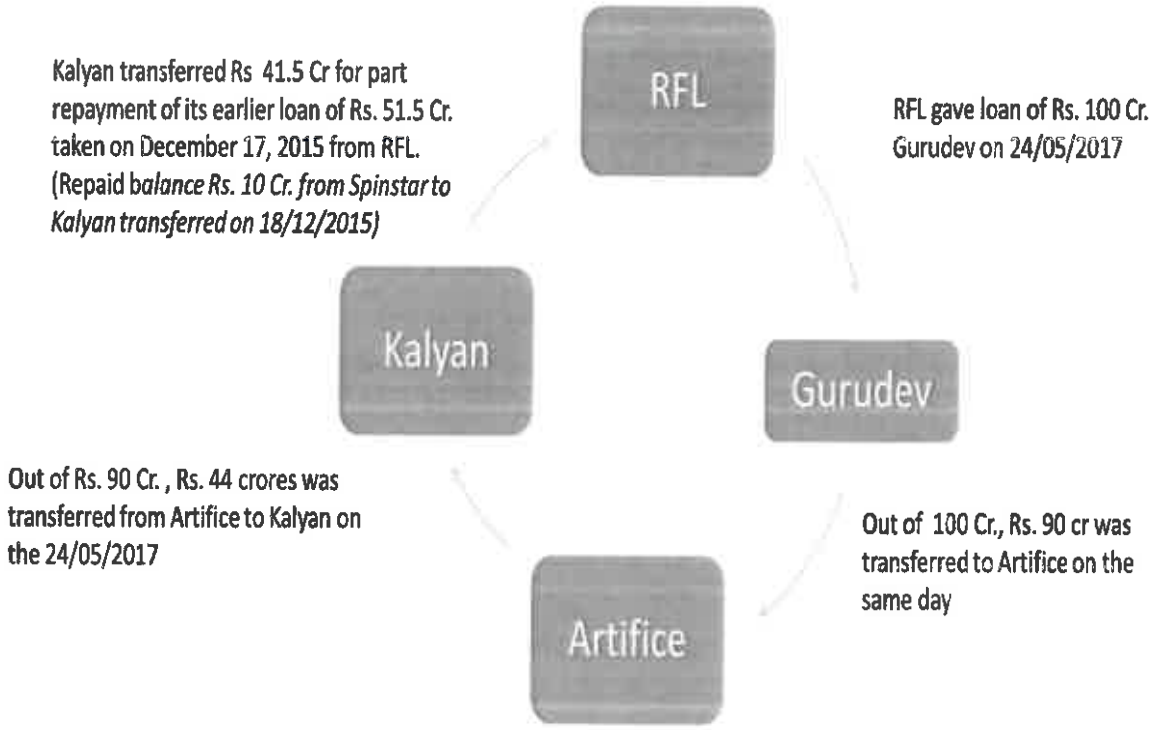
77. RFL had granted unsecured loans of Rs. 100 Crores to Gurudev on May 24, 2017. The utilisation of the said loan by Gurudev is as mentioned under:

(i) Gurudev transferred Rs. 90 Crores to **Artifice** and Rs. 10 Crores to Spinstar on same day.

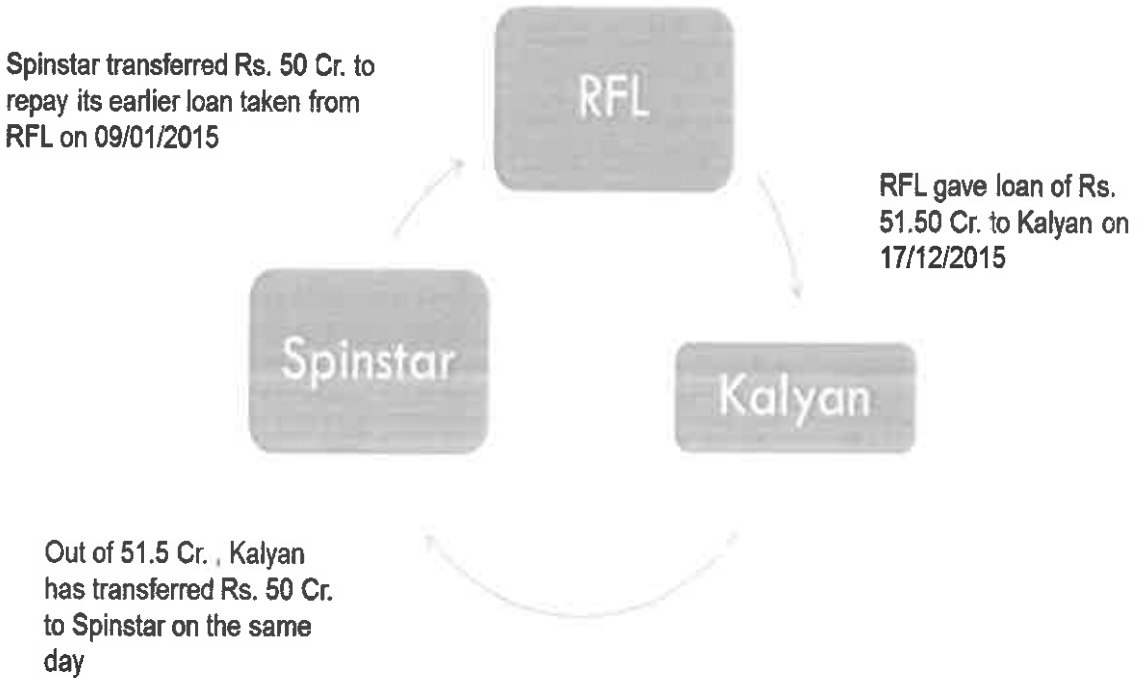
(ii) Out of the aforesaid Rs. 90 Crores to **Artifice**. Rs. 41.5 Crores were transferred to Kalyan on same day and Rs. 31 Crores were transferred to Symphony on same day.



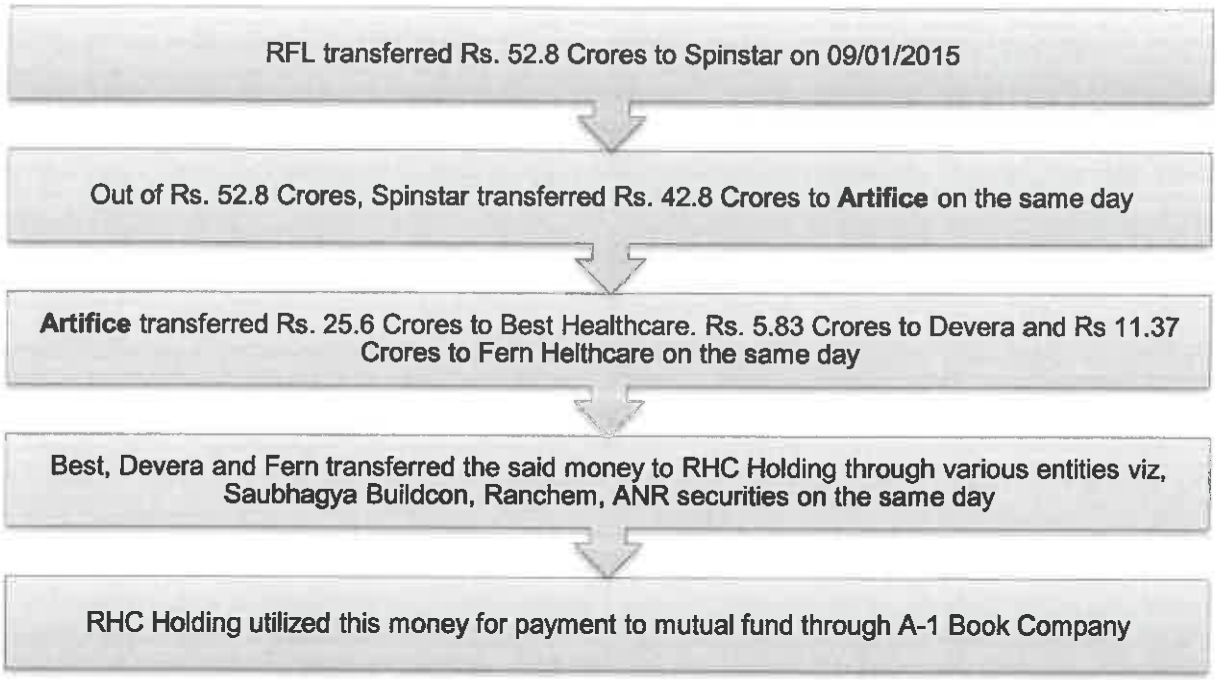
78. The aforesaid amount of Rs. 41.5 Crore was utilised by Kalyan to pay off its earlier loan of Rs. 51.5 Crores taken by it from RFL on December 17, 2015. The balance of Rs. 10 Crores of the said loan of Rs. 51.5 Crores was repaid by Kalyan by taking loan of Rs. 10 Crores from Spinstar on December 18, 2015.



79. As regards the loan of Rs. 51.5 Crores taken by Kalyan on December 17, 2015, the same was transferred to Spinstar on the same day. The Spinstar had utilised the said loan from Kalyan to repay its earlier loan it from RFL on January 09, 2015.



80. On January 09, 2015, RFL had granted loan of Rs. 52.8 Crores to Spinstar which was repaid by Spinstar after taking aforesaid loan from Kalyan on December 17, 2015. The utilisation of the said loan of Rs. 52.8 Crores is as follows:



81. Thus, out of the loan of Rs. 100 Crores given by RFL to Gurudev, Rs. 42.8 Crores have been utilised by RHC Holding. It was further alleged that Artifice also acted as a conduit entity and facilitated diversion of Rs. 41.5 Crores in RFL's loan to Gurudev.

82. In view of the aforesaid, in the SCN it is alleged that, Noticee No. 5 had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003

B. Service of SCN and subsequent replies

83. The SCN dated February 15, 2021 was sent to Artifice at the address mentioned on the MCA website i.e. "Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110 092", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the abovementioned address of Artifice. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2022. The Noticee No. 5, Artifice, did not appear for the hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

84. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

85. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 5. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 5. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

86. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 5 had taken a loan of Rs. 165 Crores from RFL on September 02, 2016. As explained above, Out of Rs 165 Crores, Rs 27.5 Crores were misutilized to pay off earlier loan given by RFL to A&A Capital, and Rs 133.48 Crores (Rs. 74.48 Crores + Rs. 59 Crores) were utilized by RHC Holdings.

87. I further note that Artifice acted as conduit entity and facilitated diversion of Rs. 41.5 Crores in RFL's loan to Gurudev, and misutilisation of Rs 5.12 Crores in RFL's Loan to Volga, as explained above.

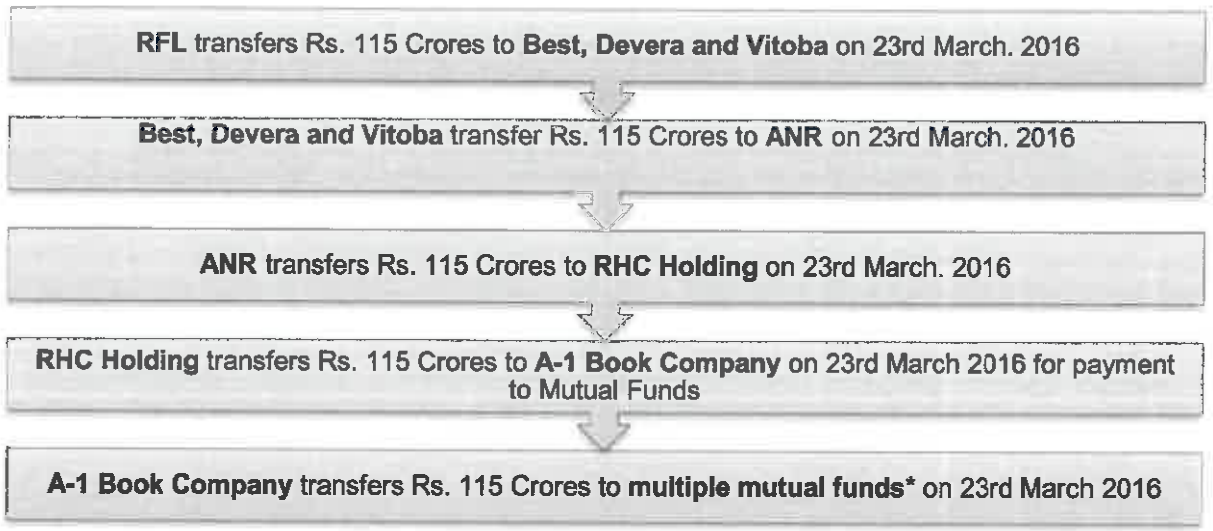
88. Therefore, I conclude that the Noticee No. 5, Artifice acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

BEST HEALTH MANAGEMENT PRIVATE LIMITED (NOTICEE NO. 6)

A. *Sum and Substance of the Allegations*

89. It is alleged that RFL had given loans amounting to Rs. 115 Crores to the *Best Health Management Private Limited* ***(Best Health Management/ Noticee No. 6),*** Devera Developers (Rs. 40 Crores) and Vitoba (Rs. 35 Crores) in which Rs. 40 Crores was given to the Noticee No. 6 which has been ultimately transferred to RHC Holding through various entities. The other parts of loans to Devera and Vitoba is discussed later at the respective parts. The ultimate utilisation of loans has been illustrated below:

D. V. Sule



90. It was thus alleged from the above analysis that funds of Rs. 115 Crore 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

91. It is alleged that A-1 Book Company Pvt Ltd is 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, it is alleged that Rs 40 Crores loan amount from RFL to Best Health Management was ultimately diverted to RHC Holding.

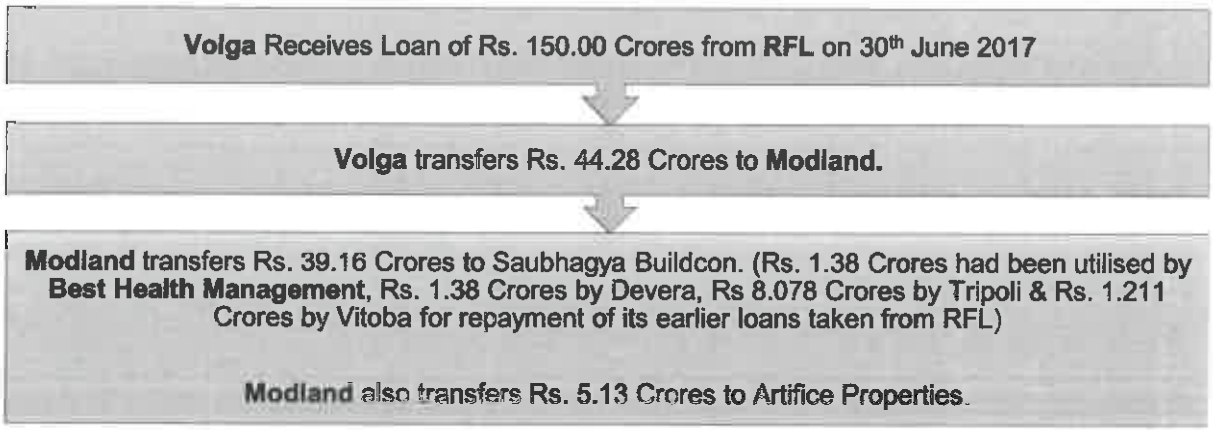
92. It is also alleged that Best Health Management acted as conduit entity in RFL's loan to Volga.

Best Health Management's role as conduit entity in RFL's loan to Volga

93. RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga Management & Consultancy private Limited (Volga). As regards the unsecured loan of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its aforesaid loan granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in following manner:

(i) On June 30, 2017 Volga transferred Rs. 44.28 Crores to Modland. Out of the said Rs. 44.28 Crores Modland transferred Rs. 39.16 Crores to Saubhagya and Rs. 5.13 Crores to Artifice.

(ii) As regards the amount of Rs. 39.16 Crores transferred to Saubhagya, an amount of Rs. 12.05 Crores was utilised by **Best Health Management**, Devera Developers, Tripoli and Vitoba to repay their earlier loans taken from RFL.



94. Hence, it is alleged that Best Health Management acted as a conduit entity in RFL's loan to Volga and misutilised Rs. 1.38 Crores in RFL's loan to Volga for repayment of earlier loans taken from RFL.

95. In view of the aforesaid, in the SCN it is alleged that, the Noticee No.6, Best Health Management had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

96. The SCN dated February 15, 2021 was sent to Best Health Management vide letter dated May 07, 2021 at the address mentioned on the MCA website i.e. "55, Hanuman Road, Connaught Place, New Delhi – 110 001", however the same was not delivered. Further, SCN could not be served via Hand Delivery/ Affixture due to pandemic restrictions. Thereafter, in compliance with Adjudication Rules the said SCN was served by way of publication in two newspapers viz. Times of India (in English) and Navbharat Times (in Hindi) on June 23, 2021. Subsequently, a hearing notice dated January 25, 2022, granting opportunity of hearing on February 18, 2022, and liberty to file reply by February 16, 2022 was sent to Best Health Management at alternate address i.e. "Ground floor, A-

Wing, D-3, District Centre, Saket", however the same returned undelivered. A copy of the SCN dated February 15, 2021 and the hearing notice dated January 25, 2022 was also sent to the noticee via e-mail dated January 25, 2022 at email id mentioned on the MCA website i.e. - "bestmedicine55@gmail.com."

97. In the interest of justice, another opportunity of hearing was granted vide hearing notice dated March 11, 2022, sent by e-mail at email id "bestmedicine55@gmail.com", granting opportunity of hearing on March 28, 2022. But the noticee did not avail the said opportunity of hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

98. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that the entity has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

99. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 6. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 6. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

100. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 6 had taken a loan of Rs. 40 Crores from RFL on March 23, 2016. As explained above, the said loan was ultimately utilized by RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 6, Best Health Management has also acted as one of the conduit entity in respect of the loan of Rs. 150 Crores dated June 30, 2017 to Volga wherein the Noticee No. 6 mis-utilised an amount of Rs. 1.38 Crores for repayment of earlier loan taken by it from RFL.

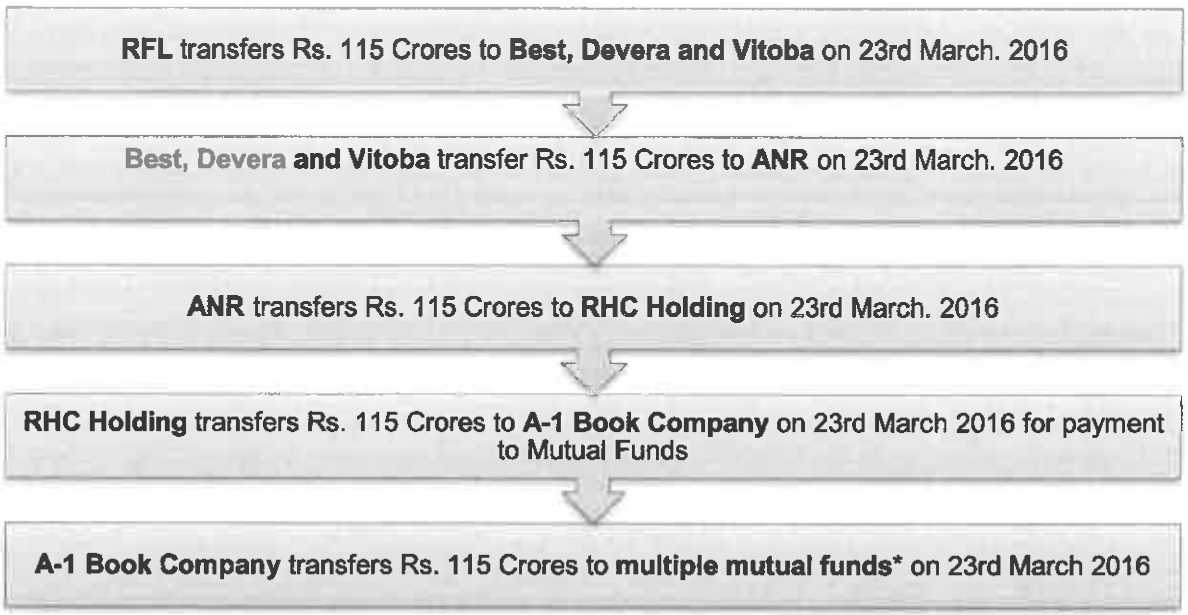
101. Therefore, I conclude that the Noticee No. 6, Best Health Management acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

D.V.K.

DEVERA DEVELOPERS PRIVATE LIMITED (NOTICEE NO. 7) AND VITOBA REALTORS PRIVATE LIMITED (NOTICEE NO. 8)

A. Sum and Substance of the Allegations

102. It is alleged that RFL had given loans amounting to Rs. 40 Crores & Rs. 35 Crores to ***Devera Developers Private Limited*** **(Devera /Noticee No.7)** ***and Vitoba Realtors Private Limited*** **(Vitoba /Noticee No. 8)** respectively on March 23, 2016 out of Rs.115 Crores, which has been ultimately transferred to RHC Holding through various entities. The other part of Rs. 40 Crores given to Best Health Management is discussed on pre pages. The ultimate utilisation of loans has been illustrated below:



103. It was thus alleged from the above analysis that funds of Rs. 115 Crore 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

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

105. Hence, it is alleged that Rs.75 Crores loan amount from RFL to Devera (Rs. 40 Crores) and Vitoba (Rs. 35 Crores) was ultimately diverted to RHC Holding.

106. It is also alleged that Devera acted as conduit entity in RFL's loan to Volga, Neelanchal, Spinstar and Nikhil Holding, and Vitoba acted as a conduit entity in RFL's loan to Volga.

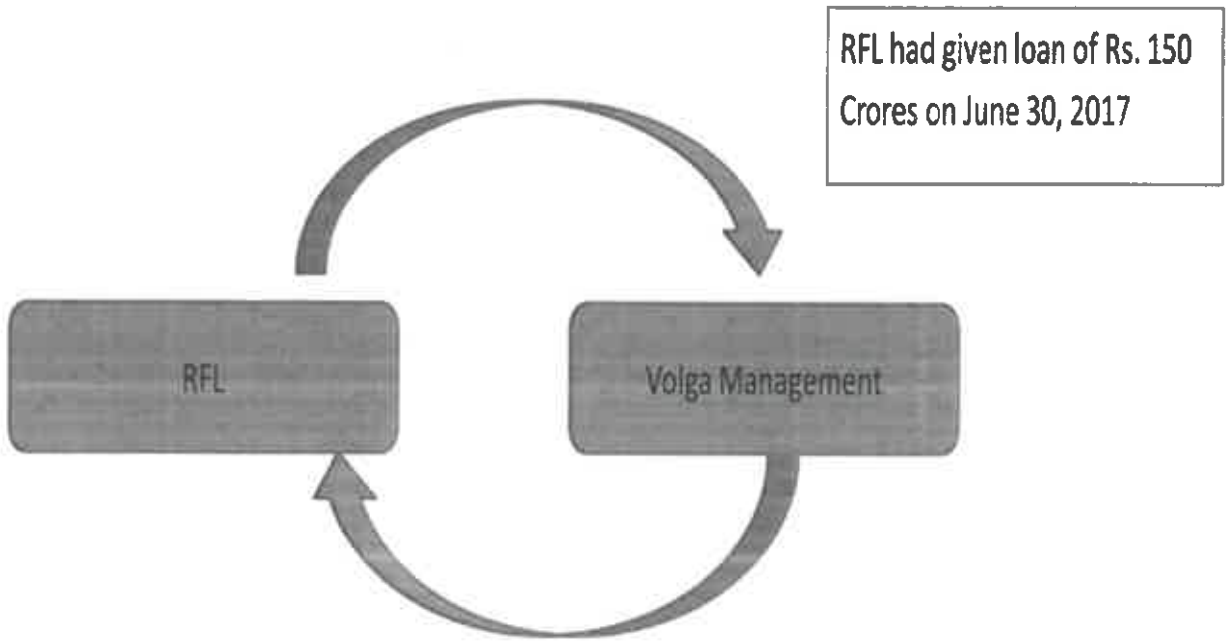
Devera and Vitoba's role as conduit entity in RFL's loan to Volga

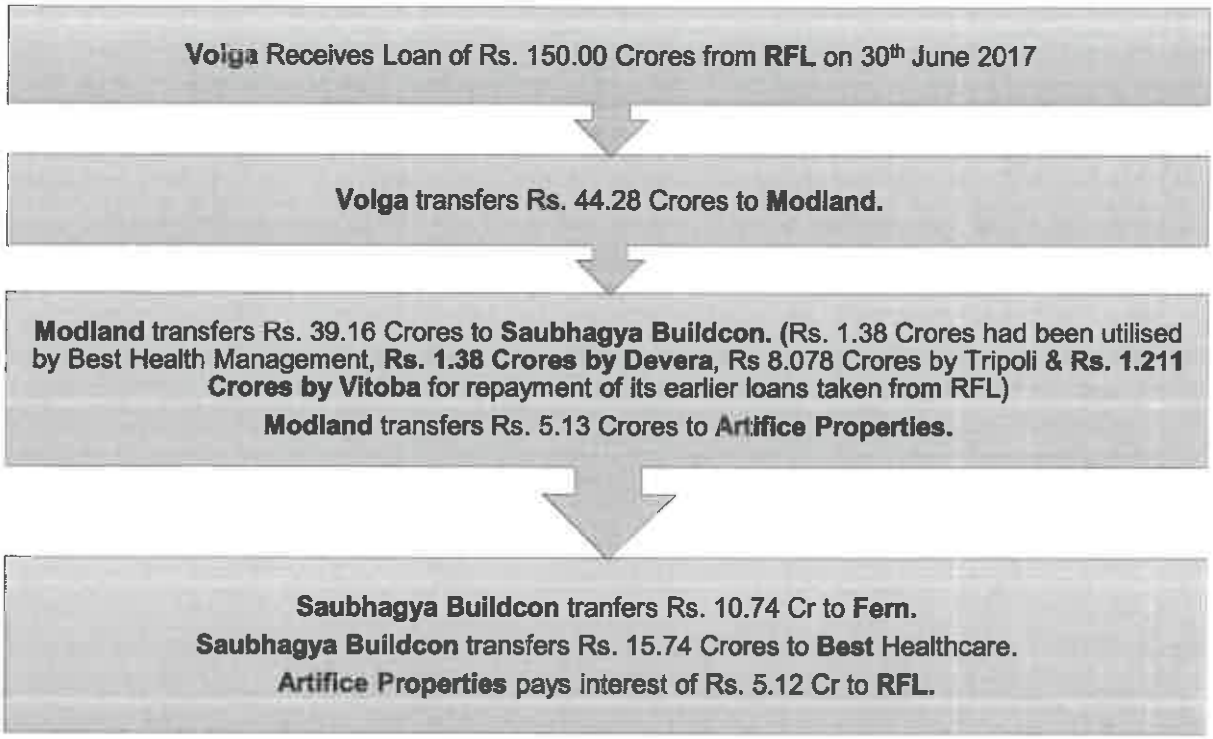
107. RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga Management & Consultancy private Limited (Volga). As regards the unsecured loan of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its aforesaid loan granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in following manner:

(i) On June 30, 2017 Volga transferred Rs. 44.28 Crores to Modland. Out of the said Rs. 44.28 Crores Modland transferred Rs. 39.16 Crores to Saubhagya and Rs. 5.13 Crores to Artifice.

(ii) As regards the amount of Rs. 39.16 Crores transferred to Saubhagya, amount of Rs. 12.05 Crores was utilised by BEST HEALTH MANAGEMENT, **Devera** Developers, Tripoli and **Vitoba** to repay their earlier loans taken from RFL.

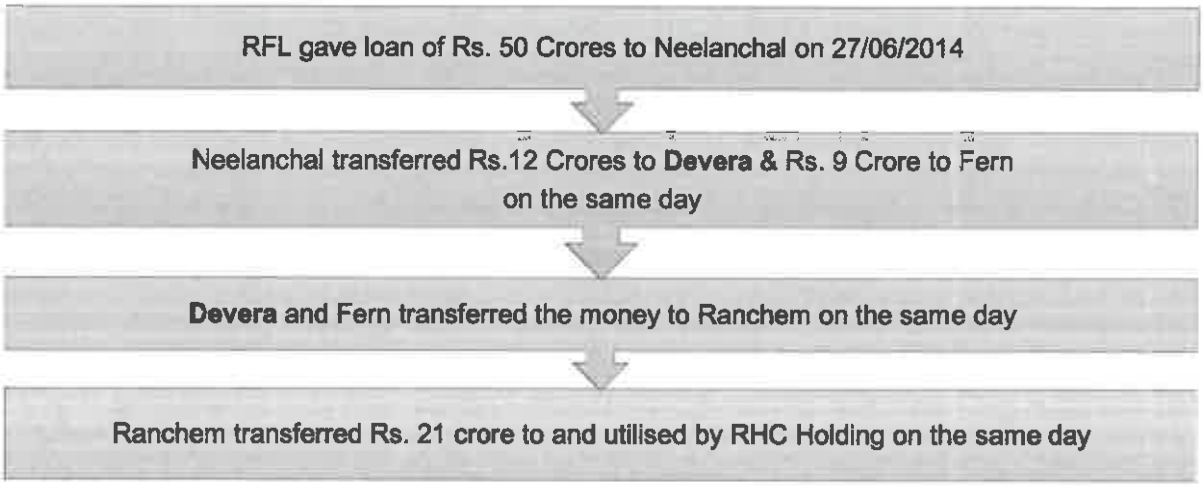
Pictorial representation of the same is as follows-





Devera's role as conduit entity in RFL's loan to Neelanchal on June 27, 2014

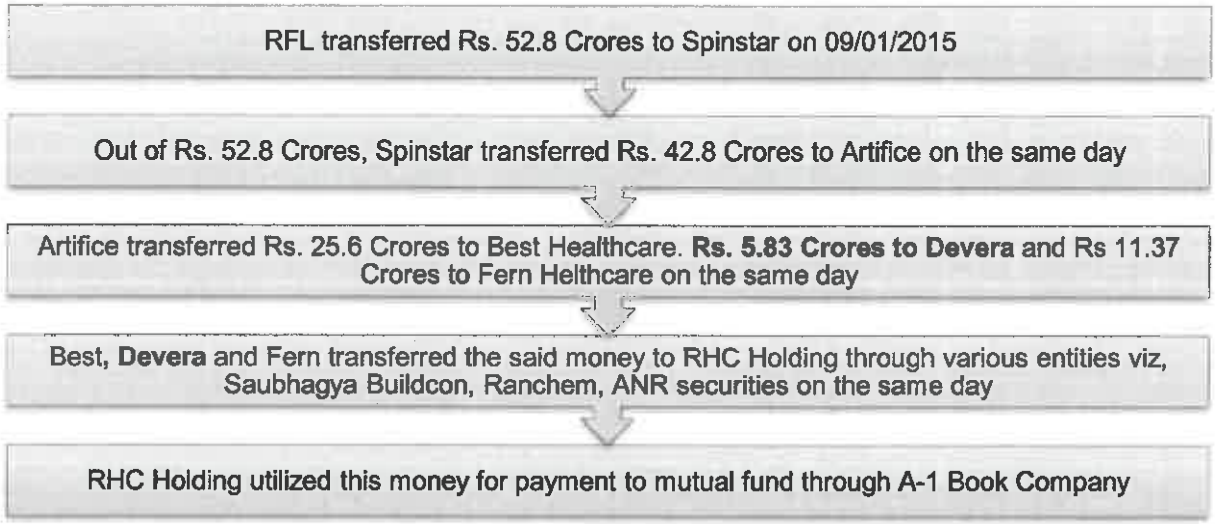
108. Loan of Rs. 50 Crores taken by Neelanchal on June 27, 2014 was utilised as follows-



109. Thus, it is alleged that Devera acted as conduit entity and facilitated diversion of Rs. 12 Crores in RFL's aforementioned loan to Nellanchal granted on June 27, 2014.

Devera's role as conduit entity in RFL's loan to Spinstar on January 09, 2015

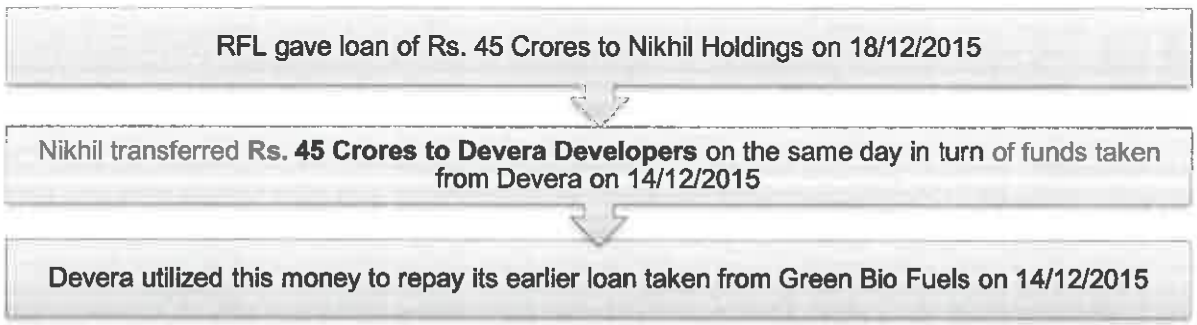
110. On January 09, 2015, RFL had granted loan of Rs. 52.8 Crores to Spinstar which was utilised as follows:



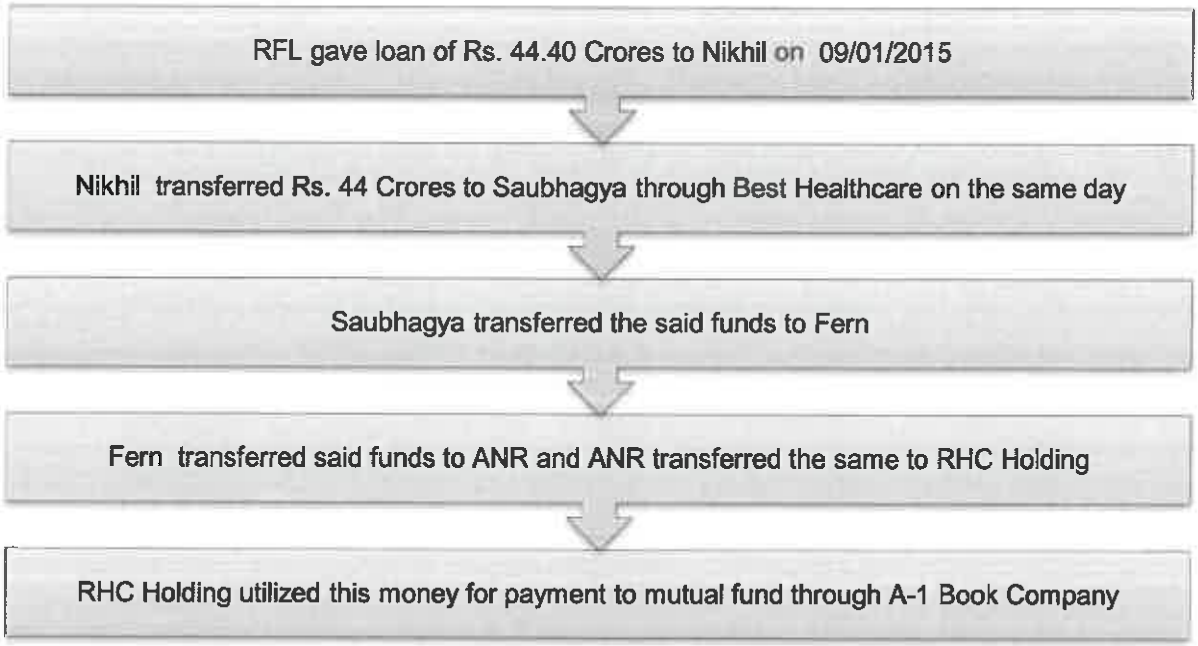
111. Therefore, it is alleged that Devera acted as conduit entity and facilitated diversion of Rs. 5.83 Crores in RFL's aforementioned loan to Spinstar granted on January 9, 2015 through various conduit/ layered entities.

Devera's role as a conduit entity in RFL's loan to Nikhil Holding

112. On December 18, 2015, RFL granted a loan of Rs. 45 Crores to Nikhil Holding which utilised the said amount to repay its earlier loan of Rs. 45 Crores taken from Devera Developers on December 14, 2015. Devera Developers used the said amount of Rs. 45 Crores to repay the loan of Rs. 45 Crores taken by it from Green Bio Fuels on December 14, 2015.



113. The aforesaid loan of Rs. 45 Crores taken by Nikhil Holding from Devera Developers on December 14, 2015 was utilised by it to repay its earlier loan taken from RFL on January 09, 2015. The utilisation of loan taken by Nikhil Holding on January 09, 2015 is as mentioned under:



114. Thus, in respect of loan of Rs. 44 Crores granted by RFL to Nikhil Holding on December 18, 2015, Devera acted as conduit entity and facilitated diversion of Rs. 45 Crores in RFL's loan to Nikhil Holding as mentioned above.

115. In view of the above it is alleged that, ***Devera and Vitoba*** had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

116. The SCN dated February 15, 2021 was sent to Devera and Vitoba at their address mentioned on the MCA website i.e. "*Ground Floor, A-Wing, D-3, District Centre, Saket, South Delhi, New Delhi – 110 017*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Devera and Vitoba. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

117. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

118. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee no. 7 and Noticee No. 8. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee no. 7 and Noticee No. 8. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

119. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 7 and Noticee No. 8 had taken a loan of Rs. 40 Crores and Rs. 35 Crores respectively, from RFL on March 23, 2016. As explained above, the said loan was ultimately utilized by RHC Holding (wholly owned and controlled by Singh brothers).

120. I further note that Devera also acted as conduit entity and facilitated diversion of Rs. 12 Crore in RFL's loan to Neelanchal, Rs. 5.83 Crore in RFL's loan to Spinstar and Rs. 45 Crore in RFL's loan to Nikhil Holding. Furthermore, Devera and Vitoba also acted as conduit entity in respect of the loan of Rs. 150 Crores dated June 30, 2017 to Volga whereby the Noticee Nos. 7 and 8 mis-utilised amounts of Rs.1.38 Crores and 1.21 Crores respectively for repayment of earlier loan taken by them from RFL.

121. Therefore, I conclude that the Noticee No. 7, Devera and Noticee No. 8, Vitoba have acted as borrower and/or conduit entities, and were part of an elaborate scheme of diversion/mis-utilisation of funds of REL.

FERN HEALTHCARE PVT. LTD. (NOTICEE NO. 9)
MODLAND WEARS PVT. LTD. (NOTICEE NO. 10)
BEST HEALTHCARE PVT. LTD. (NOTICEE NO. 35)

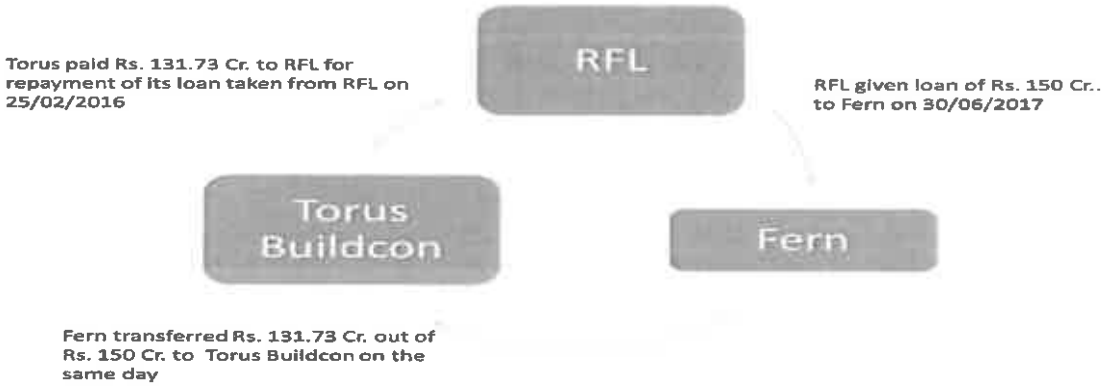
122. Fern Healthcare Pvt. Ltd. (Noticee No. 9), Modland Wears Pvt. Ltd. (Noticee No. 10) and Best Healthcare Pvt. Ltd. (Noticee No. 35) have filed replies on similar lines, were represented by

same authorized representative and were also involved in some common chain of transactions. Therefore, the allegations and replies of the said noticees have been dealt at one place.

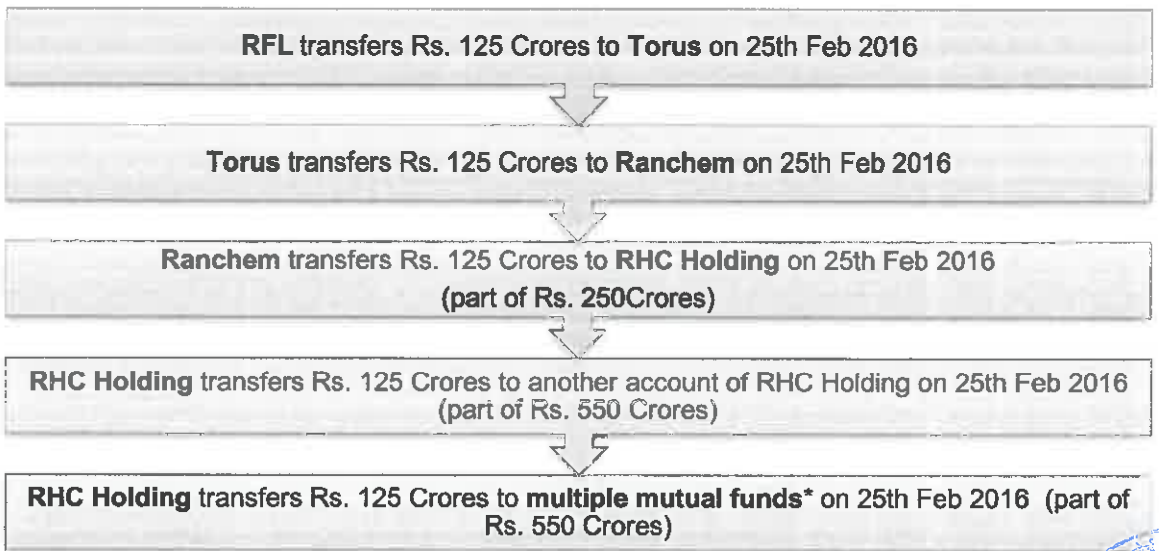
A. Sum and substance of the allegations

Role of the Noticee No. 9 as borrower entity:

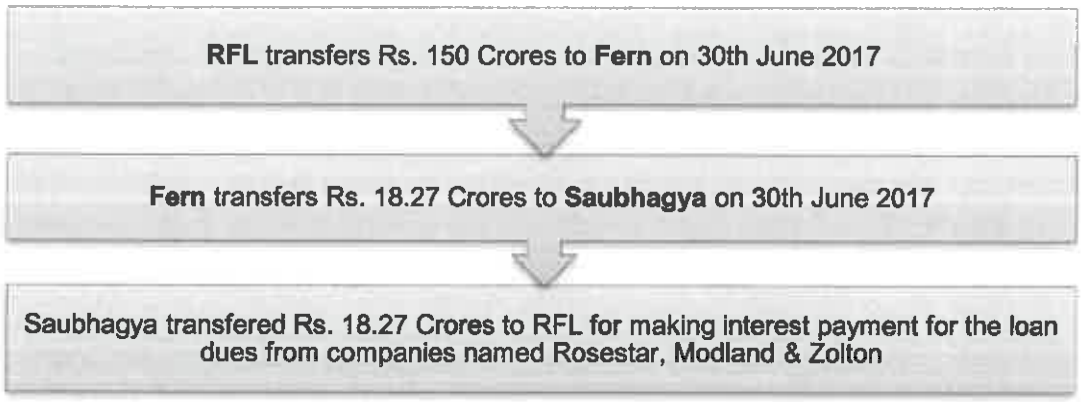
123. It is alleged that, the Noticee No. 9 acted as borrower entity in the following chain of transactions on June 30, 2017 which led to diversion of funds:



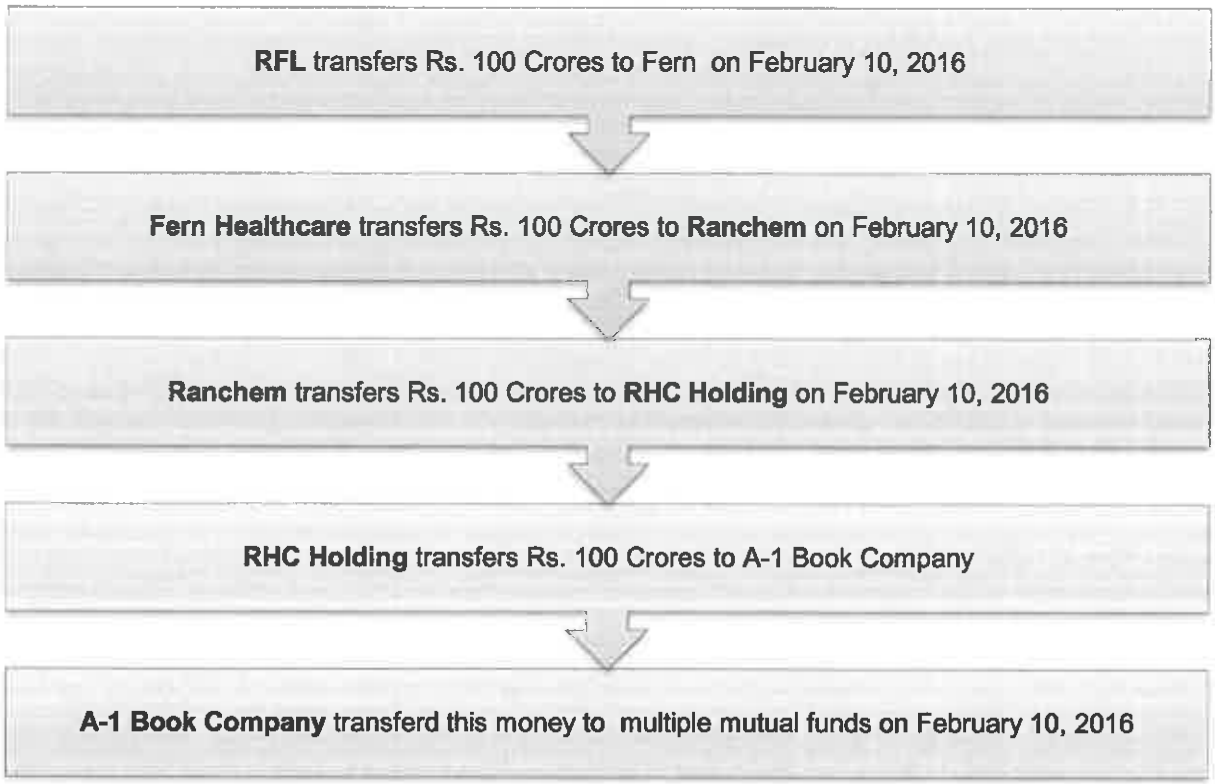
124. The aforesaid amount of Rs. 131.73 Cr was utilized by Torus Buildcon for repayment of an earlier loan of Rs. 125 Crores taken by Torus from RFL on February 25, 2016. The said loan of Rs. 125 Crores taken by Torus from RFL on February 25, 2016 was utilized in the following manner:



125. Further, the remaining amount of Rs. 18.27 Crores out of the aforesaid loan of Rs. 150 Crores taken by Fern from RFL on June 30, 2017 was utilized in following manner:



126. The Noticee No. 9 also acted as borrower entity in the following chain of transaction which led to diversion of funds of RFL to RHC Holding (wholly owned and controlled by Singh brothers):



127. The Noticee No. 9 repaid the aforesaid amount of Rs. 100 Crores after receiving funds indirectly from RFL on June 30, 2017 through Ad Advertising.

Role of the Noticee No. 10 as borrower entity:

128. It is alleged that the Noticee No. 10 acted as borrower entity in loan of Rs. 145 Crores granted by RFL on September 2, 2016. The manner in which the said loan was utilized is as mentioned under:

(i) On September 2, 2016, the Noticee No. 10 transferred Rs. 95.5 Crores to Annies Apparel which utilized the said amount in following manner:

(a) Out of the said amount of Rs. 95.5 Crores, Rs. 90.70 Crores were utilized for repayment of earlier loans of Rs. 45 Crores, Rs. 5 Crores, Rs. 15 Crores and Rs. 31 Crores taken from RFL on March 18, 2015, July 10, 2015, July 15, 2015 and July 22, 2015 respectively.

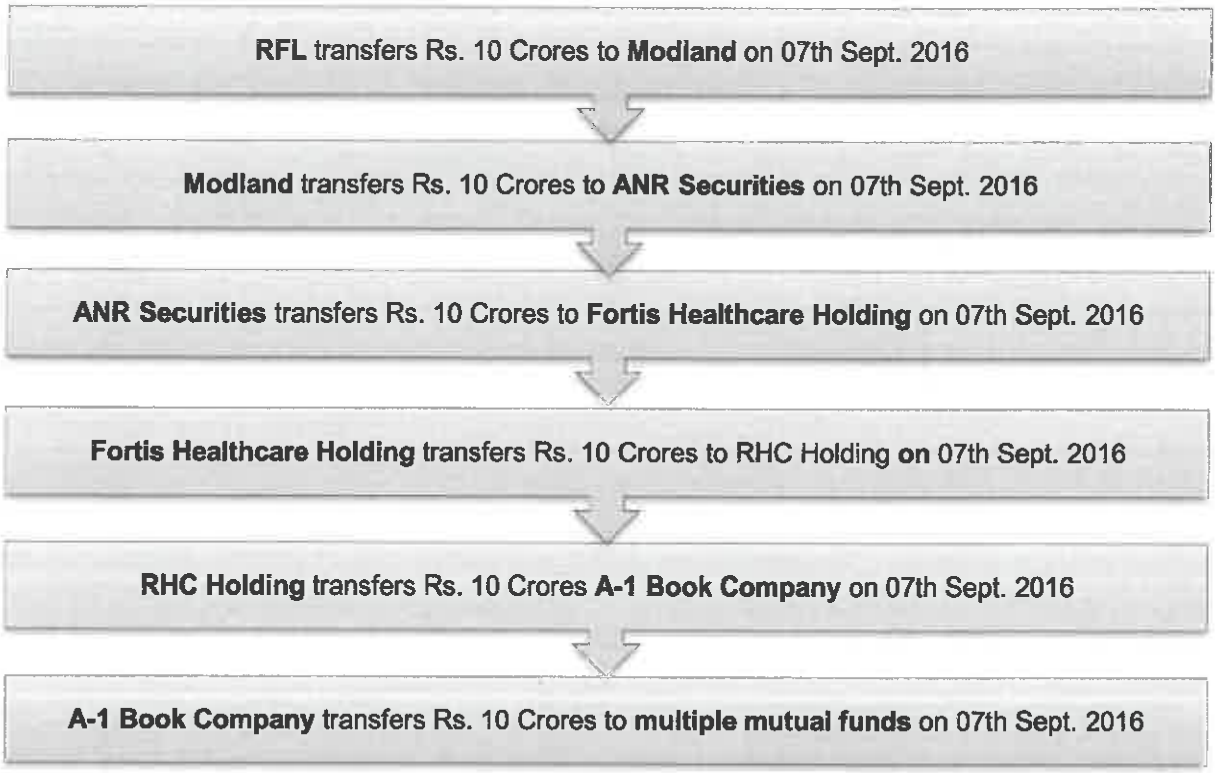
(b) Out of the loan of Rs. 45 Crores taken by Annies Apparel from RFL on March 18, 2015, Rs. 3 Crores was transferred to Nishu Finlease which utilsied the said amount for part repayment of an earlier loan of Rs. 90 Crores taken by Nishu Finlease from RFL on May 27, 2015.

(c) The aforesaid loan taken by Nishu Finlease on May 27, 2015 was transferred to RHC Holding (wholly owned and controlled by Singh brothers) through various layered entities.

(ii) Out of the remaining amount of Rs. 44.50 Crores, the Noticee No. 10 transferred Rs. 22 Crores to Gurudev, Rs. 18.56 Crores to Saubhagya and Rs. 3.93 Crores to Torus. The said amounts transferred to Saubhagya and Torus were utilized as under:

Utilisation	Paid back to RFL as interest for loans
v. Paid to Torus which it used to pay back interest to RFL	3.93
vi. 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	22.48

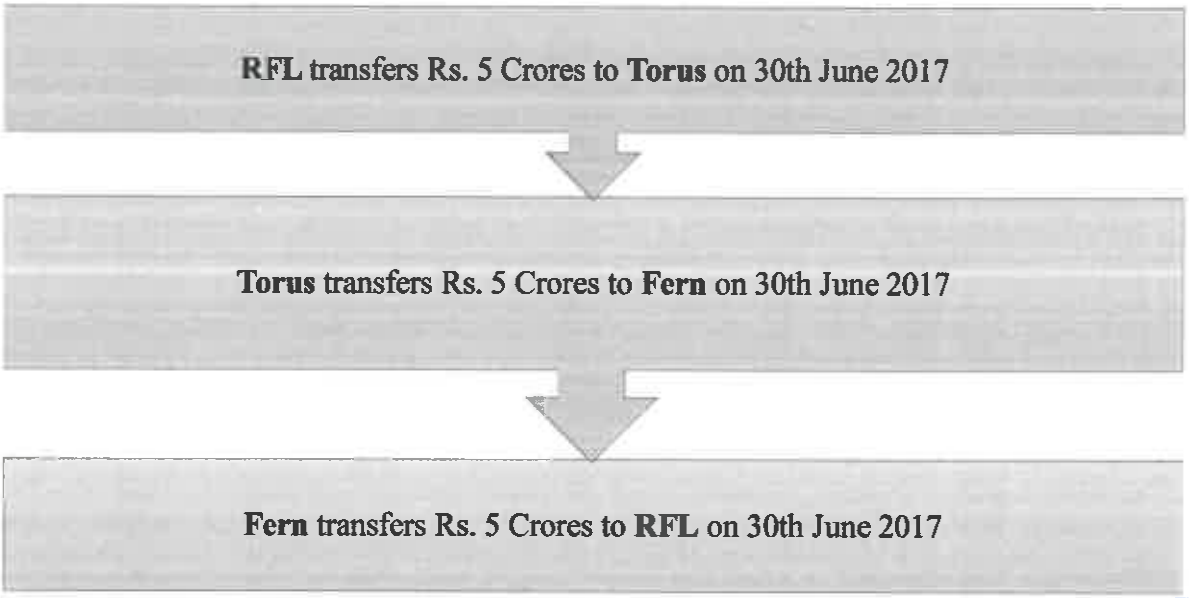
129. The Noticee No. 10 also acted as borrower entity in following chain of transaction which led to diversion of funds of Rs. 10 Crores of RFL to RHC Holding (wholly owned and contolled by Singh brothers), in the following manner:



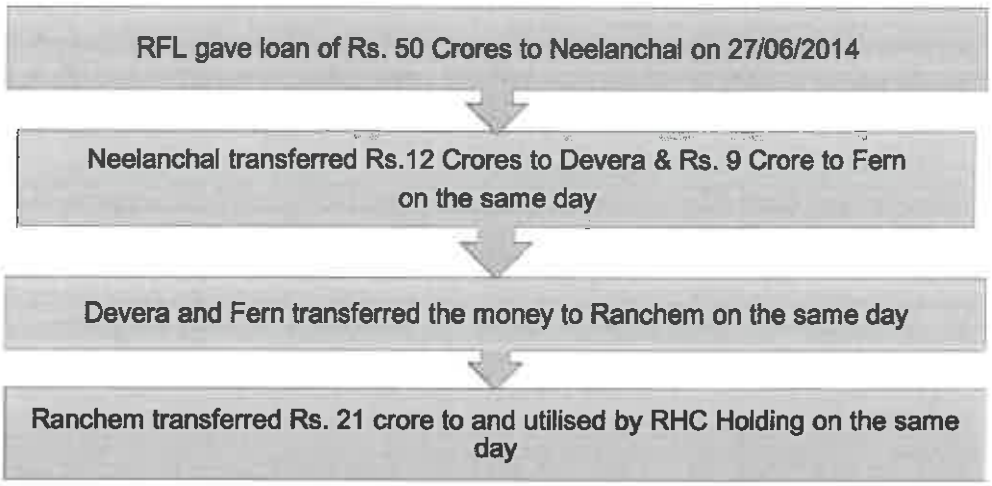
Role of the Noticee No. 9 as conduit entity in diversion/mis-utilisation of funds of RFL:

130. It is alleged that, the Noticee No. 9 also acted as conduit entity in the following chain of transactions:

(i) Loan of Rs. 5 Crores given by RFL to Torus on June 30, 2017, in following manner:



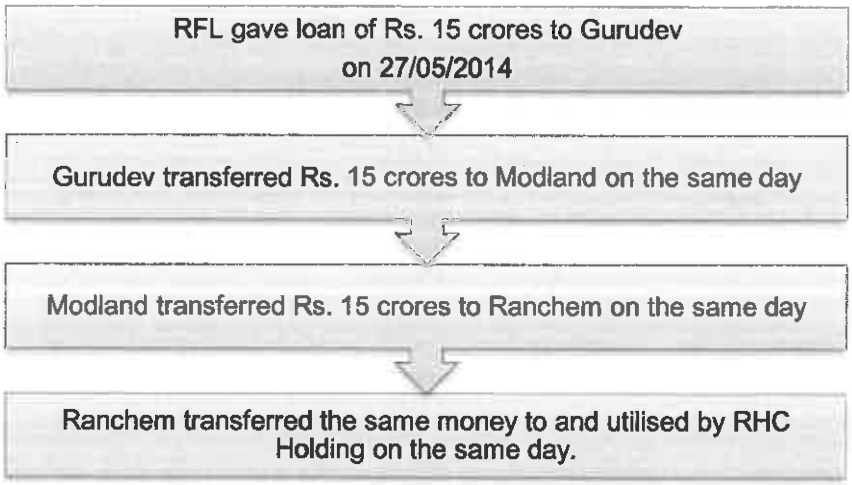
(ii) Loan of Rs. 50 Crores given by RFL to Neelanchal on May 26, 2014, in following manner:



Role of the Noticee No.10 as conduit entity in diversion/mis-utilisation of funds of RFL:

131. In connection with loan of Rs. 100 Crores granted by RFL to Annies Apparel on February 1, 2017, it is alleged that, the Noticee No. 10 contributed to mis-utilisation of Rs. 75 Crores which was utilized for repayment of earlier loans taken by the two noticees namely Nishu Finlease and Spinstar from RFL itself.

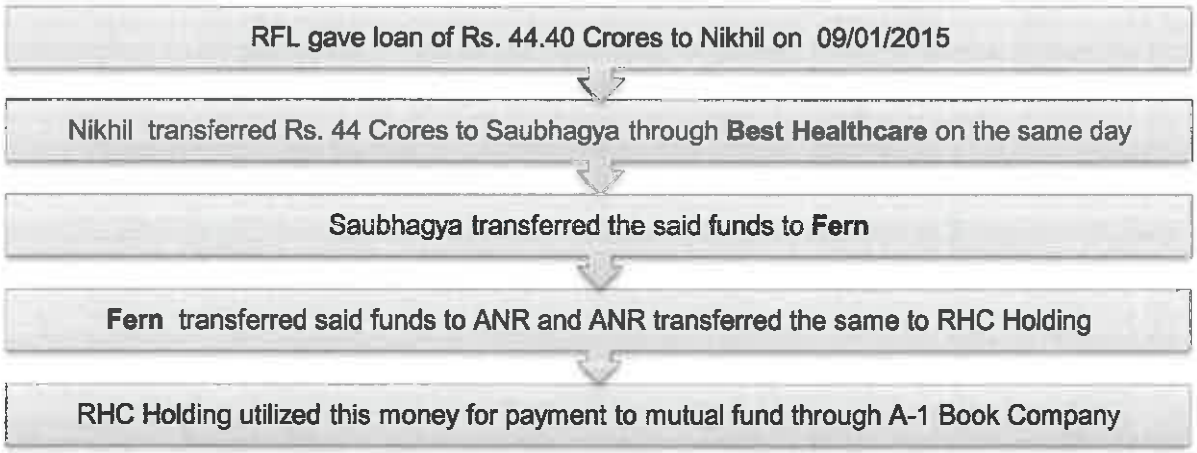
132. It is alleged that, the Noticee No. 10 also acted as conduit entity in loan of Rs. 15 Crores given by RFL to Gurudev on May 27, 2014, in following manner:



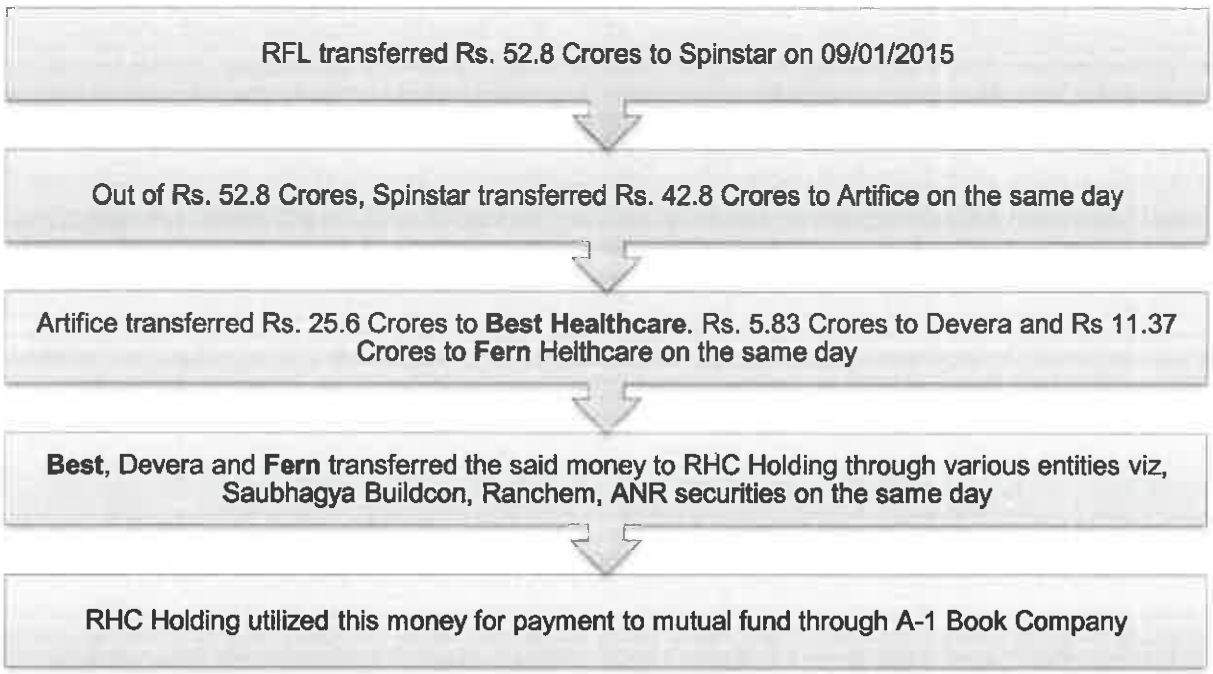
Role of the Noticee Nos. 9 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

133. It is alleged that, the Noticee No. 9 and 35 acted as conduit entities in following chain of transactions:

(i) Loan of Rs. 44.4 Crores given by RFL to Nikhil Holding on January 9, 2015:

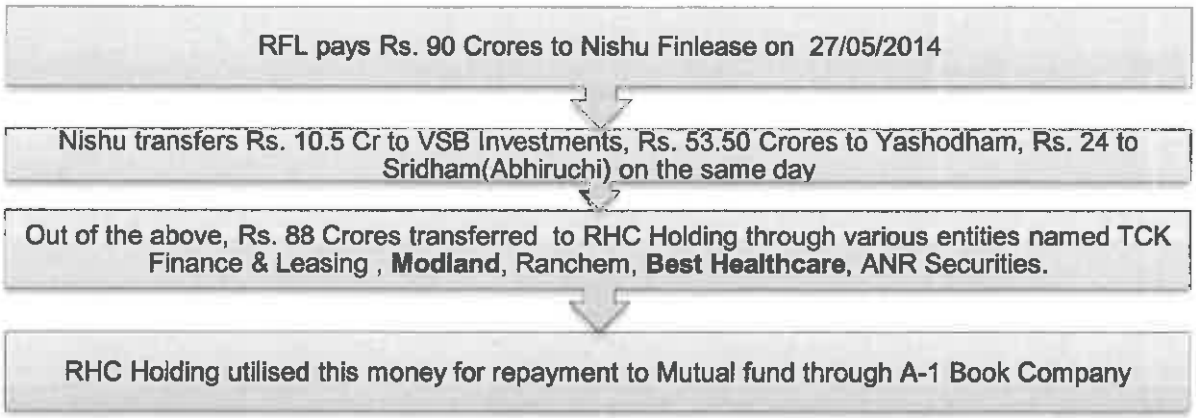


(ii) Loan of Rs. 52.8 Crores granted by RFL to Spinstar (earlier known as Vinjyoti) on January 9, 2015:



Role of the Noticee Nos. 10 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

134. It is alleged that, the Noticee No. 10 and 35 acted as conduit entities in following chain of transactions:



Role of the Noticee Nos. 9, 10 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

135. It is alleged that, the Noticee No. 9, 10 and 35 acted as conduit entities in loan of Rs. 150 Crores given by RFL to Volga on June 30, 2017, in following manner:



136. In view of the aforesaid, it is alleged that, Noticee Nos. 9, 10 & 35 had acted as a borrower as well as conduit entities and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

137. The SCN addressed to the Noticee Nos. 9, 10 & 35 were delivered to the said noticees on February 20, 2021. In response to the said SCN, the Noticee No. 9 filed reply dated April 27, 2021, the Noticee No. 10 filed reply dated June 3, 2021 and the Noticee No. 35 filed reply dated April 30, 2021. Vide separate letters dated August 12, 2021, opportunities of hearing were granted to the Noticee No. 9, 10 & 35 on September 6, 7 and 9, 2021 respectively which was availed by the said noticees through webex and the hearing was concluded qua the said noticees. In the said hearings, the Noticee Nos. 9, 10 and 35 had requested to file additional reply which was acceded to. Subsequently, the Noticee No. 9 filed additional submissions dated September 21, 2021 and December 2, 2021, the Noticee No. 10 filed additional submissions dated September 22, 2021 and December 6, 2021 and the Noticee No. 35 filed additional submissions dated September 9, 2021. In their replies/submissions, the Noticee Nos. 9, 10 and 35 had raised objection in respect of missing/inadequate documents. Therefore, vide separate letters dated February 13, 2022, the annexures to SCN were again provided and ten days' time was granted to the Noticee Nos. 9, 10 and 35 to file reply which was extended to thirty days on request of the said noticees.

138. Thereafter, the Noticee Nos. 9, 10 and 35 filed separate replies dated March 31, 2022 wherein they again sought certain documents and the Noticee Nos. 9 & 10 also sought cross-examination of employees of RFL/REL. Pursuant to the same, vide letters dated April 13, 2022, clarification was provided to the Noticee Nos. 9, 10 & 35 on each of the documents sought by the said noticees and some of the documents sought were again provided to the noticees. In the said letters to the Noticee Nos. 9 and 10, it was also clarified as under:

> *"...you have stated that MSA and AZB Reports have placed reliance on interviews/discussions with various people/employees of RFL/REL. In this regard, you have sought opportunity of cross examination of the said people/employees of RFL/REL. You are aware that the allegations levelled against you in SCN dated*

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February 15, 2021 are not based on any of the statements of people/employees of RFL/REL nor the said statements were relied on. The allegations against you in SCN dated February 15, 2021 are based on the financial transactions between you and some of the companies which are supported by the bank statements of relevant entities, ledger entries etc. All the said documents were already provided to you and the arguments were also completed by your authorised representative in the matter. Since your additional submissions dated September 22, 2021 mentioned about non-availability of some documents in the set of SCN and annexures already provided to you by the then Adjudicating Officer, in the interest of justice all documents relevant to the proceedings were again provided to you. You may also note that the SCN contained the Forensic Report, AZB Reports etc. as its annexures. As the common SCN has been issued to 63 entities, the then Adjudicating Officer felt it appropriate to issue common SCN alongwith all the annexures contained therein to all the 63 noticees including you. Therefore, the question of cross-examination of any of the people/employees of RFL/REL, whose statements were not relied on or referred to for the allegations made in the SCN against you, does not arise."

139. Thereafter, the Noticee Nos. 9, 10 and 35 filed separate replies dated April 28, 2022. No dispute has been raised in connection with the clarifications provided vide letter dated April 13, 2022 to the noticees except seeking the bank statements of RFL for which the ledger details of RFL and the banks statements of the noticees were already provided which contains the details of the transactions in which the said noticees were involved. In their replies and during the hearing, the Noticee Nos. 9, 10 and 35 *inter alia* made following similar submissions:

(i) The connection drawn are erroneous and farfetched. The Noticee No. 9, 10 and 35 were not related to REL/RFL/RHC Holding when the transactions took place. The Noticee No. 9 and 10 only recently became related to RHC Holding as they were acquired by RHC group.

(ii) The transaction between RFL and the Noticee No. 9 & 10 and transactions between the Noticee No. 35 with other noticees were merely commercial transactions. The loans taken by Ntocee No. 9 and 10 from RFL were bonafide loans and were used for "Working Capital requirement/General Corporate Purposes" The Noticee No. 9 has submitted an End Use Certificate in respect of loan taken by it from RFL on June 30, 2017. Similarly, the Noticee No. 10 has submitted an End Use Certificate in respect of loans taken by it from RFL on September 2, 2021 and September 7, 2021.

(iii) Further, these noticees have also referred to the Judgment dated October 26, 2021 of the Hon'ble Supreme Court in Mitesh Kumar J. Shah Vs. the State of Karnataka & Ors. wherein it is inter alia observed that mere breach of contract is not cheating and criminal colour cannot be imparted to civil dispute.

(iv) The Noticee No. 9 facilitated transferred funds to RHC Holding through Torus, implying that the Noticee No. 9 orchestrated transfer to RHC Holding. The inference is wrong as no connection/link between Fern and Torus.

(v) The Noticee Nos. 9 and 10 had been taking loans from RFL for a very long period of time and the Noticee No. 9 and 10 had duly repaid interest on such loans. SCN ignored the fact that the amount remained outstanding from the Noticee No. 9 and 10 on account of bad financial health of the said noticees.

RFL has filed case against the Noticee No. 9 and 10 under CIRP for recovery of loans in NCLT.

(vi) Further, FAR is incomplete as it is not able to establish the ultimate utilisation of loans where Mr. Narendra Kumar Goushal was the contact person.

(vii) In respect of loan dated June 30, 2017 taken by the Noticee No. 9 from RFL, it is contended that that the said amount ultimately reached RFL itself through Torus and Saubhagya. Further, in respect of loan dated February 10, 2016 received from RFL, the Noticee No. 9 has contended that even though it had transferred the said amount to Ranchem on February 10, 2016, on February 12, 2016 Ranchem paid back Rs. 100 Crores to the Noticee No. 9 which MSA failed to take into account.

(viii) In respect of loan of Rs. 145 Crores taken by the Noticee No. 10 form RFL on September 2, 2016, it is contended that Rs. 95.5 Crores given to Annies Apparel ultimately reached RFL only. Further, in respect of the said loan it is not explained as to how Rs. 3 Crores were utilised for the benefit of RHC Holding.

(ix) In respect of loan of Rs. 10 Crores dated September 7, 2016 taken by the Noticee No. 10 from RFL, it is contended that on said date ANR Securities had received Rs. 10 Crores from the Noticee No 10 and Rs. 10 Crore from Zolton and ANR Securities had transferred Rs. 20 Crores to REL. This possibility has not been considered by forensic auditor or in investigation.

(x) In respect of transaction dated January 19, 2015 between the Noticee No. 35 and Niikhil Holding, it is contended that the said transaction was actually a repayment of loan taken by Nikhil Holding from Noticee No. 35 just two days before the said transaction. In this regard, the Noticee No. 35 has submitted a MoU dated January 6, 2015.

(xi) Further, in respect of transaction of Rs. 15.74 of the Noticee No. 35 with ANR Securities and Saubhagya on June 30, 2017, it is contended that Saubhaya had repaid the said amount for an earlier loan taken by Saubhagya from the Noticee No. 35 and the Noticee No. 35 used the said amount for payment of interest on debentures to ANR Securities. In this regard, the Noticee No. 35 has submitted a MoU entered by it with Saubhagya and TDS certificate for payment of interest on debentures to ANR Securities.

(xii) Regulation 3 and 4 of PFUTP Regulations only apply on persons dealing in securities. Further, the Hon'ble Supreme Court in SEBI Vs. Kanaiyaal Baldevbhai Patel (2017) 15 SCC 1 has categorically held that the element of "inducement" must exist before holding that a person is guilty of fraud. The Noticee No. 9 has also referred to the order dated September 09, 2019 of the Hon'ble Securities Appellate Tribunal in Price Waterhouse & Co. & Ors. Vs. Securities and Exchange Board of India, Appeal No. 6 of 2018, wherein the aforesaid decision of the Hon'ble Supreme Court has been referred.

(xiii) Further, these noticees have also referred to the order dated October 18, 2011 of the Hon'ble Securities Appellate Tribunal in Sahara India Real Estate Corporation limited & Ors. Vs. Securities and Exchange Board of India & Ors., Appeal No. 131 of 2011, and have contended that SEBI has no power to adjudicate on matter relating to the Noticee Nos. 9, 10 and 35 as the said companies are neither a listed entity nor they have any intention of listing their shares on stock exchanges.

(xiv) In view of the aforesaid, the Noticee Nos. 9, 10 and 35 have prayed for dropping of the proceedings.

C. Consideration of Allegations, Replies and Submissions

140. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 9, 10 and 35 and their replies/written submissions.

Role of the Noticee No. 9 as borrower entity in diversion/mis-utilisation of funds of RFL

141. From the material available on record, it is found that the Noticee No. 9, as borrower entity, contributed to diversion/mis-utilisaiton of funds of RFL, in following manner:

(i) On June 30, 2017, the Noticee No. 9 borrowed Rs. 150 Crores from RFL, which was utilized in following manner:

(a) Rs. 131.73 Crores was transferred by the Noticee No. 9 to Torus which utilized the said amount for repayment of an earlier loan of Rs. 125 Crores taken by Torus from RFL on February 25, 2016. As explained on pre pages, Torus transferred the said amount of Rs. 125 Crores to RHC Holding (wholly owned and controlled by Singh brothers) on very same date i.e. February 25, 2016.

(b) The remaining Rs. 18.27 Crores out of the aforesaid Rs. 150 Crores received by the Noticee no. 9 was transferred to Rosestar, Modland & Zolton which utilized it for repayment of interest on earlier loans taken by them from RFL.

(ii) On February 10, 2016, RFL gave loan of Rs. 100 Crores to Noticee No. 9 which transferred the said amount to Ranchem on the very same day. Thereafter, on the same day, Ranchem transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers), which transferred the said amount to A-1 Book Company (wholly owned subsidiary of RHC Holding) on very same day. The said amount of Rs. 100 Crores taken by the Noticee No. 9 was repaid on June 30, 2017 after receiving the funds from Ad Advertising which in turn had received the said funds from RFL. Thus, effectively the said amount of loan of Rs. 100 Crores taken by the Noticee No. 9 was actually paid back to RFL out of the funds of RFL itself.

142. In respect of loan of Rs. 150 Crores taken by the Noticee No. 9 on June 30, 2017, the Noticee No. 9 has contended that there is no diversion as the said amount ultimately reached RFL. The said contention is an attempt to cover up the transactions which were not genuine in nature as the said amount was actually utilized for repayment of earlier loan taken from RFL itself i.e. the transaction was actually a rollover of earlier loan. By looking at overall circumstances of the entire case, it is clearly inferred that all thes transactions are meant to cover up the diversion of money to the erstwhile promoters of REL/RFL.

143. Further, in respect of loan taken by the Noticee No. 9 on February 10, 2016, it is contended that on the said day the Noticee No. 9 transferred Rs. 100 Crores to Ranchem and thereafter, Ranchem transferred Rs. 100 Crores to Noticee No. 9 on February 12, 2016. It is contended that this transaction has been ignored. In this regard, the Noticee No. 9 has not given any proof or explanation or documents as to why would Ranchem give back Rs. 100 Crores to the Noticee No. 9, just after two days of taking the said loan. All these facts put a big suspicious on the genuineness of the transactions entered into by the Noticee No. 9 and gives an inference that the transaction was only intended to transfer funds to RHC Holding (wholly owned and controlled by Singh brothers).

144. Thus, from above it can be concluded that, the Noticee No. 9 acted as borrower entity in diversion of funds of Rs. 225 Crores (Rs. 125 Crores indirectly and Rs. 100 Crores directly) of REL through RFL which was ultimately utilized for the benefit of RHC Holding (wholly owned and

controlled by Singh brothers) and mis-utilisation of funds of Rs. 25 Crores of RFL which was utilised for interest repayment of earlier loan taken by three noticees in the matter from RFL itself.

Role of the Noticee No. 10 as borrower entity in diversion/mis-utilisation of funds of RFL:

145. From the material available on record, it is found that, in respect of loan of Rs. 145 Crores taken by the Noticee No. 10 from RFL on September 2, 2016, the Noticee No. 10 acted as borrower entity and contributed to diversion/mis-utilisaiton of funds of RFL, in following manner:

(i) On September 2, 2016, the Noticee No. 10 transferred Rs. 95.5 Crores to Annies Apparel which utilized the said amount in following manner:

(a) Out of the said amount of Rs. 95.5 Crores, Rs. 90.7 Crores were utilized for repayment of earlier loans of Rs. 45 Crores, Rs. 5 Crores, Rs. 15 Crores and Rs. 31 Crores taken from RFL on March 18, 2015, July 10, 2015, July 15, 2015 and July 22, 2015 respectively.

(b) Out of the loan of Rs. 45 Crores taken by Annies Apparel from RFL on March 18, 2015, Rs. 3 Crores was transferred to Nishu Finlease which utilsied the said amount for part repayment of an earlier loan of Rs. 90 Crores taken by Nishu Finlease from RFL on May 27, 2015. Out of the said loan of Rs. 90 Crores, Rs. 88 Crores was transferred to RHC Holding (wholly owned and controlled by Singh brothers) through various layered entities. This chain of transactions has already been explained in the part relating to A&A Capital (noticee no. 16).

(c) In this manner, Rs. 3 Crores out of the Rs. 145 Crores of loan taken by the Noticee No. 10 was actually utilized for the benefit of RHC Holding.

(d) Further, Rs. 87.7 Crores (90.7 Crores- 3 Crores) was utilised by Annies Apparel for repayment of earlier loans taken from RFL as mentioned above. Therefore, the contention of the Noticee No. 10 that the amount of Rs. 90.70 Crores given to Annies Apparel ultimately reached RFL is of no relevance, as funds of RFL were used for rollover of earlier loans given by RFL itself.

(ii) Out of the remaining amount of Rs. 44.50 Crores, the Noticee No. 10 transferred Rs. 22 Crores to Gurudev, Rs. 18.56 Crores to Saubhagya and Rs. 3.93 Crores to Torus. As regards the amount of Rs. 22 Crores transferred to Gurudev no adverse inference has been observed either in investigation or in FAR. Therefore, the said amount transferred to Gurudev has not been taken into consideration while concluding the violations by the Noticee No. 10.

(iii) As regards Rs. 3.93 Crores transferred to Torus and Rs. 18.56 Crores to Saubhagya, it has been observed that the same has been utilized for repayment of interest on earlier loans taken from RFL in following manner:

Utilisation	Paid back to RFL as interest for loans
Paid to Torus which it used to pay back interest to RFL	3.93
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	22.48

(iv) However, in respect of the aforesaid amount of Rs. 5.108 Crores transferred by Saubhagya to the Noticee No. 35, it is contended by the Noticee No. 35 that the question of using the said amount for repayment of the interest on loan does not arise as it did not have any outstanding loan with RFL. In this regard, neither FAR nor extract of the Investigation Report mentions as to for which of the loans the said amount was used as payment of interest. Further, the aforesaid repayment of interest is also not mentioned in the ledger details of the Noticee No. 35. Therefore, as regards said amount of Rs. 5.108 Crores, no material is available on record which shows that the said amount was used for repayment of interest on earlier loans taken by the Noticee No. 35 from RFL. Accordingly, the same has not been taken into consideration to decide the violations against the noticees.

(v) In view of the aforesaid, it is concluded that out of the Rs. 145 Crores transferred to the Noticee No. 10, Rs. 3 Cores was utilized for diversion of funds of REL to RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers), Rs. 87.7 Crores (90.7 Crores-3 Crores) was utilized for repayment of earlier loans taken by Annies Apparel from RFL itself and Rs. 17.37 Crores (22.48 Crores-5.108 Crores) was mis-utilised by other entities for repayment of interest on earlier loans taken from RFL itself.

146. RFL had also granted loan of Rs. 10 Crores to the Noticee No. 10 on September 7, 2016 and on same day the said Rs. 10 Crores was transferred to ANR Securities, which transferred the said amount to Fortis Healthcare Holding which in turn transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers). All the said transactions took place on the same

day. In respect of the said loan of Rs. 10 Crores, a contention is made that the FAR and the investigation has ignored the fact that on September 7, 2016, Zolton and the Noticee No. 10 transferred Rs. 10 Crores each to ANR Securities which transferred the said Rs. 20 Crores to REL. The said contention appears to have been made to cover up the transaction which was not genuine in nature and was only intended to transfer the funds to RHC Holding. Hence, the Noticee No. 10 also acted as borrower entity in diversion of funds of Rs. 10 Crores of RFL for the benefit of RHC Holding (wholly owned and controlled by Singh brothers).

147. In view of the aforesaid, the Noticee No. 10 acted as borrower entity in diversion of funds of Rs. 13 Crores (Rs. 3 Crores indirectly and Rs. 10 Crores directly) of REL through RFL which was ultimately utilized for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation of funds of Rs. 87.7 Crores and Rs. 17.37 of RFL which were utilised for repayment of earlier loans and interest on earlier loans taken by various entities from RFL itself.

Role of the Noticee No. 9 as conduit entity in diversion/mis-utilisation of funds of RFL:

148. The Noticee No. 9 also acted as conduit entity and contributed to diversion/mis-utilisaiton of funds of RFL, in following manner:

(i) Loan of Rs. 5 Crores dated June 30, 2017 taken by Torus from RFL: Torus transferred the said Rs. 5 Crores to the Noticee No. 9 which utilized it to repay the interest on earlier loan taken from RFL. Thus, the Noticee No. 9 acted as conduit entity in mis-utilisation of funds of Rs. 5 Crores of RFL for repayment of interest on earlier loan taken by the Noticee No. 9 from RFL itself.

(ii) Loan of Rs. 50 Crores dated May 26, 2014 taken by Neelanchal from RFL: Neelanchal transferred Rs. 9 Crores to the Noticee No. 9 which transferred the said amount to Ranchem which in turn transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers). Hence, the Noticee No. 9 acted as conduit entity in diversion of funds of Rs. 9 Crores of RFL for benefit of RHC Holding (wholly owned and controlled by Singh brothers).

Role of the Noticee No. 10 as conduit entity in diversion/mis-utilisation of funds of RFL:

149. It is also noted that, the Noticee No. 10 acted as conduit entity and contributed to diversion/mis-utilisaiton of funds of RFL, in following manner:

(i) Loan of Rs. 100 Crores dated February 1, 2017 taken by Annies Apparel from RFL:
  (a) On February 1, 2017, after receiving Rs. 100 Crores loan from RFL, Annies Apparel transferred Rs. 90 Crores to the Noticee No. 10 which transferred Rs. 50 Crores to Nishu Finlease and Rs. 25 Crores to Gurudev on the same day.
  (b) Nishu Finlease utilized the aforesaid amount of Rs. 50 Crores for repayment of earlier loan taken by Nishu Finlease from RFL on August 21, 2015.
  (c) Further, on same day Gurudev transferred Rs. 25 Crores to Spinstar which utilized the said amount for part repayment of earlier loan of Rs. 50 Crores taken by Spinstar from RFL on December 12, 2015.
  (d) Hence, the Noticee No. 10 acted as conduit entity in mis-utilisation of funds of Rs. 75 Crores (50 Crores+25 Crores) of RFL which were utilized for repayment of earlier loans from RFL itself.

(ii) Loan of Rs. 15 Crores dated May 27, 2014 taken by Gurudev from RFL: Gurudev transferred Rs. 15 Crores to the Noticee No. 10 which transferred the said amount to Ranchem which in turn transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers) on the same day. Thus, the Noticee No. 10 acted as conduit entity for diversion of funds of Rs. 15 Crores for the benefit of RHC Holding (wholly owned and controlled by Singh brothers).

Role of the Noticee Nos. 9 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

150. I note that the Noticee Nos. 9 and 35 acted as conduit entity in diversion of funds of RFL in following manner:

(i) Loan of Rs. 44.4 Crores dated January 9, 2015 by RFL to Nikhil Holding: Nikhil Holding transferred Rs. 44 Crores to the Noticee No. 35 which then transferred the said amount to the Noticee No. 9 through Saubhagya. On the very same day, the Noticee No. 9 transferred the said amount to ANR Securities which in turn transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers). Thus, the Noticee Nos. 9 and 35 acted as

conduit entity in diversion of funds of Rs. 44 Crores of RFL for benefit of RHC Holding (wholly owned and controlled by Singh brothers).

(ii) Loan of Rs. 52.8 Crores dated January 9, 2015 taken by Spinstar (earlier known as Vinjyoti) from RFL:

(a) On January 9, 2015, the Noticee No. 40 transferred Rs. 42.8 Crores to Artifice which transferred Rs. 25.6 Crores to Best Healthcare, Rs. 5.83 Crores to Devera and Rs. 11.37 Crores to Fern Healthcare on the same day.

(b) From the material available on record, it is observed that after receiving Rs. 25.6 Crores from Artifice, Best Healthcare transferred the said amount (as part of Rs. 82.9 Crores) to Ranchem which transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers).

(c) Further, the amount of Rs. 11.37 Crores transferred to the Noticee No. 9 ultimately reached RHC Holding.

(d) Therefore, I note that the Noticee No. 9 & 35 acted as conduit entities in respect of diversion of funds of Rs. 11.37 Crores and Rs. 25.6 Crores respectively of RFL for benefit of RHC Holding (wholly owned and controlled by Singh brothers).

Role of the Noticee Nos. 10 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

151. In respect of loan of Rs. 90 Crores granted by RFL to Nishu Finlease on May 27, 2014, the Noticee Nos. 10 and 35 acted as conduit entities in diversion of funds of RFL in following manner:

(i) On May 27, 2015, Nishu Finlease transferred Rs. 10.5 Crores to VSB investments, Rs. 53.50 Crores to Yashodham and Rs. 24 Crores to Sridham. VSB Investments transferred the said amount of Rs. 10.5 Crores to the Noticee No. 10/Modland.

(ii) Yashodham transferred Rs. 20 Crores to TCK Finance and Rs.33.5 Crores to Sridham. Thereafter, TCK Finance transferred the said amount of Rs. 20 Crores to the Noticee No. 10/Modland and Sridham transferred Rs. 57.5 Crores (Rs. 24 Crores+Rs. 33.5 Crores) to the Noticee No. 35/Best Healthcare.

(iii) Thereafter, the Noticee No. 35 transferred Rs. 57.5 Crores to ANR Securities and the Noticee No. 10 transferred Rs. 30.5 Crores (Rs. 10.5 Crores + Rs. 20 Crores) (as part of Rs. 45 Crores) to Ranchem. All these transactions took place on the same day.

(iv) ANR Securities and Ranchem ultimately transferred the aforesaid amounts to RHC Holding.

(v) Hence, it is noted that the Noticee Nos. 10 and 35 contributed in diversion of funds of Rs. 30.5 Crores and Rs. 57.5 Crores respectively of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

Role of the Noticee Nos. 9, 10 and 35 as conduit entities in diversion/mis-utilisation of funds of RFL:

152. In respect of loan of Rs. 150 Crores dated June 30, 2017 taken by Volga from RFL, the Noticee Nos. 9, 10 and 35 acted as conduit enties in the following manner:

(i) On June 30, 2017 Volga transferred Rs. 44.28 Crores to the Noticee No. 10 which transferred Rs. 39.16 Crores to Saubhagya and Rs. 5.13 Crores to Artifice. Thereafter, out of the said Rs. 39.16 Crores, Saubhagya transferred Rs. 10.74 Crores to the Noticee No. 9, Rs. 15.74 Crores to Noticee No. 35 and the remaining amount of Rs. 12.05 Crores was utilised by BEST HEALTH MANAGEMENT, Devera, Tripoli and Vitoba for repayment of earlier loasn taken from RFL. Further, Artifice utilized the said amount of Rs. 5.13 Crores as repayment of interest on earlier loan taken from RFL itself.

(ii) The Noticee No. 9 and 35 transferred the aforesaid amounts to Ranchem and ANR Securities which transferred the said amounts totaling Rs. 26.48 Crores to Oscar. Oscar utilised the said amount for repayment of its earlier loan of Rs. 25 Crores taken from RFL on January 9, 2017. The said loan of Rs 25 crore taken by Oscar on January 9, 2017 was transferred to RHC Holding through various layered entites on same day.

(iii) Thus, it is noted that the Noticee Nos. 9, 10 and 35 acted as conduit entity in diversion of funds of Rs. 10 Cores approx., Rs. 25 Crores and Rs. 15 Crores approx. respectively of RFL for benefit RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 10 also acted as conduit entity in mis-utilisation of funds of Rs. 17.18 Crores (12.05 Crores+5.13 Crores) of RFL as the same was misutilised by other noticees for repayment of earlier loans taken from RFL itself.

Common contentions of the Noticee Nos. 9, 10 and 35:

153. The Noticee Nos. 9, 10 and 35 have referred to the order dated October 18, 2011 of the Ld. SAT in *Sahara India Real Estate Corporation limited & Ors. Vs. Securities and Exchange Board of India & Ors.* and have conteded that SEBI has no jurisdiction over them. In this regard, I note that vide the said order the Ld. SAT *inter alia* decided the issue of jurisdiction of SEBI to regulate

Optionally Fully Convertible Debentures (OFCDs) and held that though the company was unlisted it had issued OFCDs which are 'securities' within the meaning of SEBI Act and is, therefore, a person associated with the securities market. In the instant matter, the Noticee Nos. 9, 10 and 35 were part of an elaborate scheme of diversion of funds of a listed company viz. REL through its material subsidiary viz. RFL, which in terms of the PFUTP Regulations, is a fraud played on the investors REL. It is for this reason that, the Noticee Nos. 9, 10 and 35 have been charged under the PFUTP Regulations, 2003. Further, as already explained, the context in which the said SAT order was passed is different than that of in the instant matter. Hence, the said SAT order in *Sahara Matter (Supra)* is of no relevance in the instant matter.

154. It is also contended by the Noticee Nos. 9, 10 and 35 that the connection drawn in the extract of the investigation report are far-fetched and they were not related to RFL at the time of transactions. In this regard, I note that the said noticees have submitted that they had financial relationship with RFL for very long time and had been taking loans of from RFL. The said noticees were also involved with other noticees by virtue of various financial transactions. Further, the Noticee Nos. 9, 10 and 35 shares same address and therefore, are connected to each other. Further, the Noticee Nos. 9, 10 and 35 had a preexisting relationship with RFL and other noticees with which they had transacted in the chain of transactions which led to diversion/mis-utilisation of funds of RFL. I also note that as submitted by all the said three noticees, they were later on acquired by RHC Group, owned and controlled by Singh brothers and therefore, the said noticees are connected to erstwhile promoters of REL/RFL as well.

155. The Noticee Nos. 9, 10 and 35 have also contended that the transactions entered into by them were genuine loan transactions. In this regard, the said noticees have provided MoUs in respect of certain transactions. I have perused the said MoUs and have noted that in all the said MoUs, the stamp duty was paid online couple of months back and the transactions took place substantially at a later date. Even though at time of online payment of stamp duty the names of both the parties to the agreement is required to be mentioned, however, it is noted from the said MoUs only name of lender is mentioned in the place of "first party" and the name of the borrower in the place of "second party" are not mentioned. Further, there is a long gap between the date of MoU and the date of issuance of the e-stamp papers. The e-Stamp Papers have been purchased way before the date on which the MoU is entered. For instance, MoU date between Best Healthcare and Nikhil Holding is January 6, 2016, however the stamp issuance date for the same is October 13, 2014 and only name of Best Healthcare is mentioned in the MoU. It appears that the e-stamp papers

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were purchased in advance so that the same could be used in future for covering the diversion of loans or that the old available stamp papers might have been used for covering up the diversion as after thought. Further, the MoU dated April 9, 2014 between the Noticee No. 35 and Saubhagya is not stamped. I also note that when RFL sanctioned such huge amount of loan there shall be a loan agreement followed by documents creating securities etc. However, none of these entities have furnished any copy of the loan agreements for the said loans. Hence, I am of the view that all the said MoUs are nothing but an afterthought to cover up the fact that the said transactions were not genuine and were only intended to transfer the funds to RHC Holding (wholly owned and controlled by Singh brothers) or for repayment of earlier loans of RFL.

156. In respect of the loans taken by the Noticee Nos. 9 and 10 from RFL, the said noticees have relied on the End Use Certificates. In this regard, it is noted that the said End Use Certificate is one-page document and simply states that the purpose of the said loan was for "working capital requirement/general corporate purposes" and does not elaborate as to how exactly the said amounts were used. I also note that the End Use Certificate of Artifice, Zolton and Star Artwork, which were provided by RFL and were part of annexure I to SCN, and End Use Certificate submitted by the Noticee No. 9 & 10 are issued by same CA namely (M.S.Sekhon & Co.) and are issued on the similar lines. Furthermore, the said End Use Certificate is not supported by any third party document. All these facts clearly imply that the said End Use Certificates submitted by the Noticee Nos. 9 and 10 are not appears to be genuine and are afterthought to cover up the diversion of loans.

157. Further, during course of the Investigation the Noticee Nos. 9 and 10 have submitted to the investigation authority as under:

- *Upon receipt of usual instructions from Religare management, Fern and Modland deployed the entire sums to various companies as per the agreement. Fern and Modland had no use of this money for any of their own purposes nor had they any discretion in determining as to whom the moneys were to be advanced.*
- *The money was advanced to Fern/Modland by RFL not as any financial aid to them but with specific instructions as usual as to where it was to be deployed. Fern/Modland was thus a mere disbursement vehicle through which the RFL chose to advance moneys to its intended recipients. The limited benefit that augured to Fern/Modland and the reason as to why Fern/Modland agreed for the arrangement was that a small interest arbitrage that was promised to it.*

- *When the funds were advanced to Fern by RFL, these entities were unrelated and unrelated to RHC Holding though the directors of Fern were acquainted to Mr. Sunil Godhwani, Mr. Malvinder Mohan Sing and Mr. Shivinder Mohan Singh. Fern and Modland were taken over by RHC Group in December, 2017 when entire shareholding was sold to Ranchem Private Limited and RHC IT Solutions Private Limited which were/are RHC Group companies.*
- *The agreements between RFL and Fern and Modland were never intended to be document on the basis of which RFL could ever initiate any recovery action since the funds were deployed at Religare group's instance. For this reason, for 15 months, RFL did not demand principal or interest, though the same was payable at quarterly rests. RFL had also written off the debts of Fern and Modland in December 2017. However, as an after-thought, the same were written back in RFL's books on March 31, 2018.*

158. The aforesaid submissions made by the Noticee Nos. 9 and 10 before the Investigation Authority are contrary to the submissions made by the Noticee Nos. 9 and 10 in the replies filed in the present matter. The aforesaid submissions further substantiate that the loans taken by the Noticee Nos. 9 and 10 were only intended to transfer the funds to RHC Holding (wholly owned and controlled by Singh brothers), or were intended for mis-utilisation by other entities for repaying the interest on earlier loans taken by such entities from RFL.

Conclusion on the role of the Noticee Nos. 9, 10 and 35

159. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

160. Therefore, I conclude that:

(i) the Noticee No.9 acted as borrower entity and contributed to diversion of funds of Rs. 225 Crores of REL through RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation Rs. 25 Crores which were utilized by various entities for repayment of earlier loans taken from RFL itself. Further, the Noticee No. 9 also played the role of conduit entity in diversion of funds of Rs. 74.37 Crores (Rs. 9 Crores+Rs. 44 Crores + Rs. 10 Crores+Rs. 11.37 Crores) of RFL for the ultimate benefit RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation of funds of Rs. 5 Crores of RFL which the Noticee No. 9 utilised to pay the interest on earlier loan received from RFL itself.

(ii) the Noticee No.10 acted as borrower entity and contributed to diversion of funds of Rs. 13 (Rs. 3 Crores + Rs. 10 Crores) Crores of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation Rs. 105.07 Crores (Rs. 87.7 Crores + Rs. 17.37 Crores) which were utilized by various entities for repayment of earlier loans taken from RFL itself. Further, the Noticee No. 10 also played the role of conduit entity in diversion of funds of Rs.40.5 Crores (Rs. 15 Crores + Rs. 30.5 Crores) of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation of funds of Rs. 117.08 Crores (75 Crores+17.08 Crores+25 Crores) of RFL which was utilized by various entities for repayment of earlier loans or interest on earlier loans taken from RFL itself.

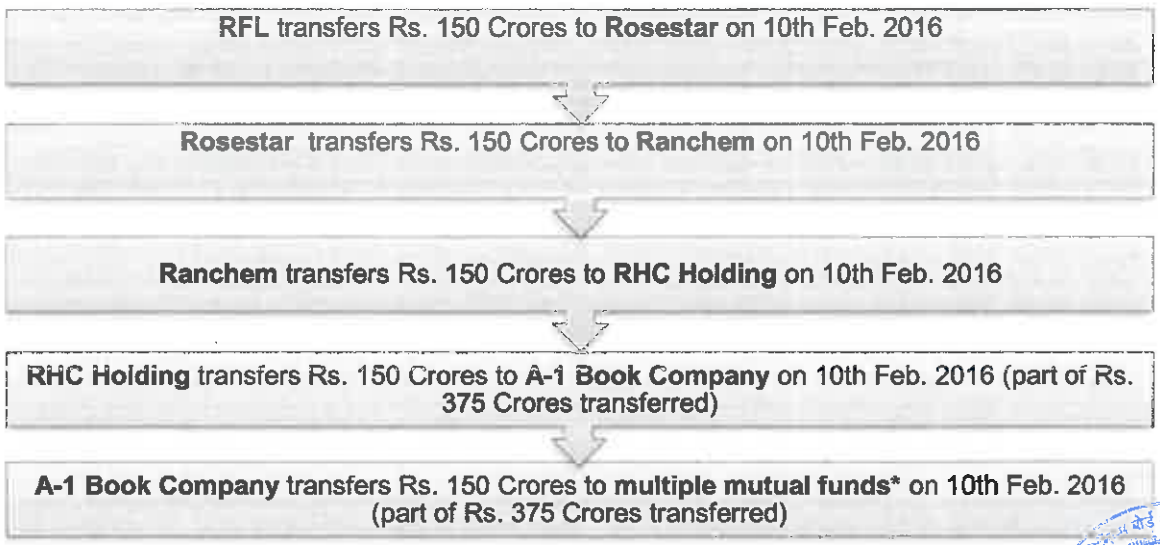
(iii) the Noticee No. 35 played the role of conduit entity in diversion of funds of Rs. 142 approx. (Rs. 44 Crores + Rs. 25.6 Crores + Rs. 57.5 Crores+ Rs. 15 Crores approx..) of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

ROSESTAR MARKETING PVT. LTD. (NOTICEE NO. 11)

A. Sum and Substance of the Allegations

161. It is alleged that RFL had granted unsecured loan of Rs. 150 Crores to ***Rosestar Marketing Pvt. Ltd*** **(Rosestar/Noticee No. 11)** on February 10, 2016, which transferred it to Ranchem on the same date. Ranchem then transferred it to RHC Holding on February 10, 2016 and then on the same day RHC Holding transferred it to A-1 Book Company which transferred it to multiple mutual funds on February 10, 2016. The pictorial presentation of the movement of the funds are as under:

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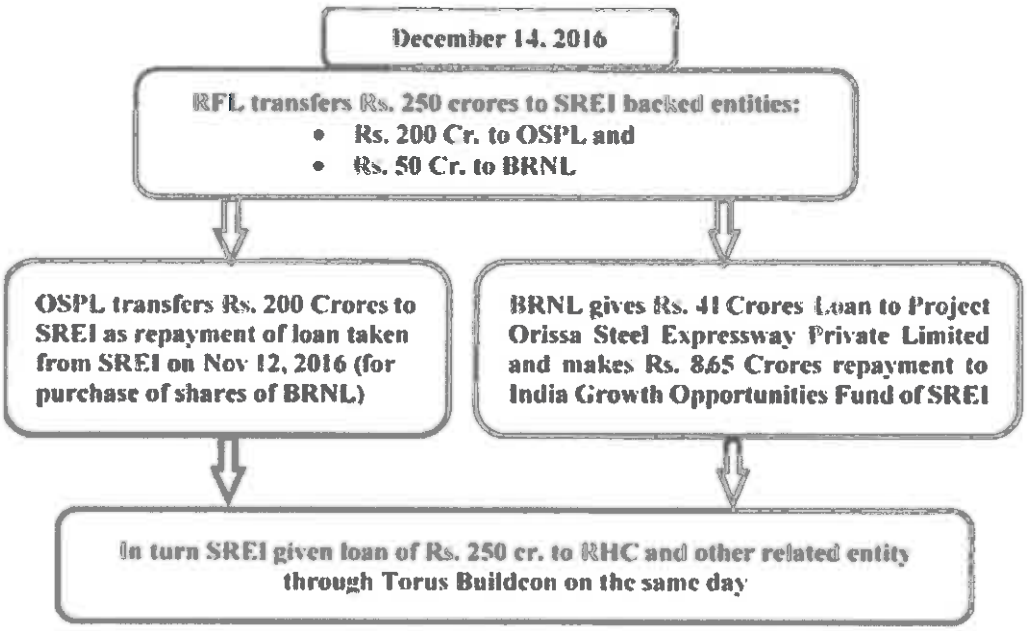


162. It is alleged that A-1 Book Company Pvt Ltd is a wholly owned subsidiary of RHC Holding which invested in liquid/debt mutual funds on behalf of and with funds provided by RHC Holding. Thus, it is alleged that the loan of Rs. 150 Crores were ultimately utilised by RHC Holding, wholly owned by promoters of REL/RFL.

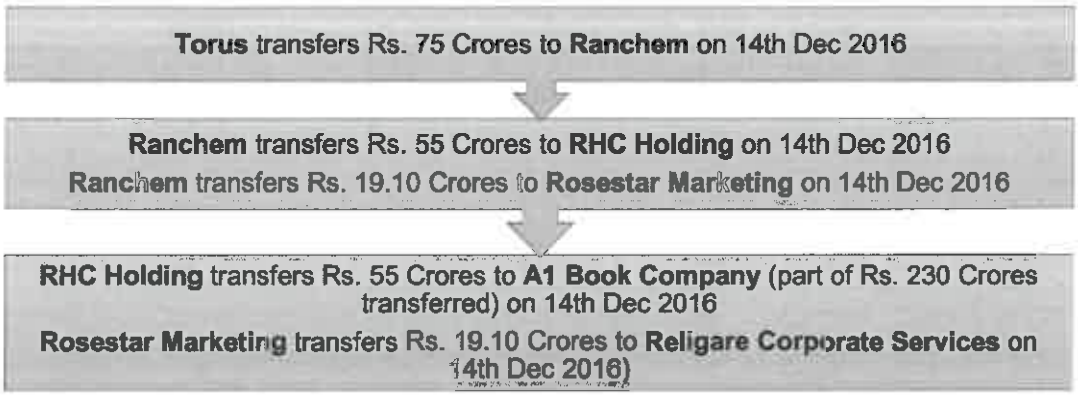
163. It is further alleged that Rosestar acted as a conduit entity in RFL's loan to OSPL and BRNL.

Rosestar's role as conduit entity in RFL's loan to OSPL and BRNL

164. SREI Infrastructure Finance Ltd and RHC Holding entered into an arrangement of back to back loans of Rs. 250 Crores. According to the arrangement, first RFL had given Rs. 200 Crore loan to OSPL, which it utilized to pay off the loan from SREI. Additionally, Rs. 50 Crore was given by RFL to BRNL. On the other hand, SREI gave a loan of equal amount i.e. Rs. 250 Crores to the Promoter Entity i.e. RHC Holding through Torus. The pictorial representation of the same are as follows-



165. The diagrammatical presentation of movement of Rs. 75 Crores out of 250 Crores are as follows-



166. Religare Corporate Services Ltd (now called Finserve Shared Services Pvt Ltd) is a wholly owned subsidiary of RHC Holding. Therefore, it is alleged that Rosestar acted as conduit entity and facilitated diversion of Rs. 19.10 Crores.

167. In view of the above it is alleged that, Rosestar had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

168. The SCN dated February 15, 2021 was sent to Rosestar at the address mentioned on the MCA website i.e. "*Shop No. 29, Ground Floor CSC, New Rajdhani CHBS Ltd,* Preet *Vihar, Delhi* East, *Delhi – 110 092*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Rosestar. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

169. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

170. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 11. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 11. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

171. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 11 had taken a loan of Rs. 150 Crores from RFL on February 10, 2016. As explained above, the said loan was routed through various layered entities and ultimately utilized by RHC Holding (wholly owned and controlled by Singh brothers).

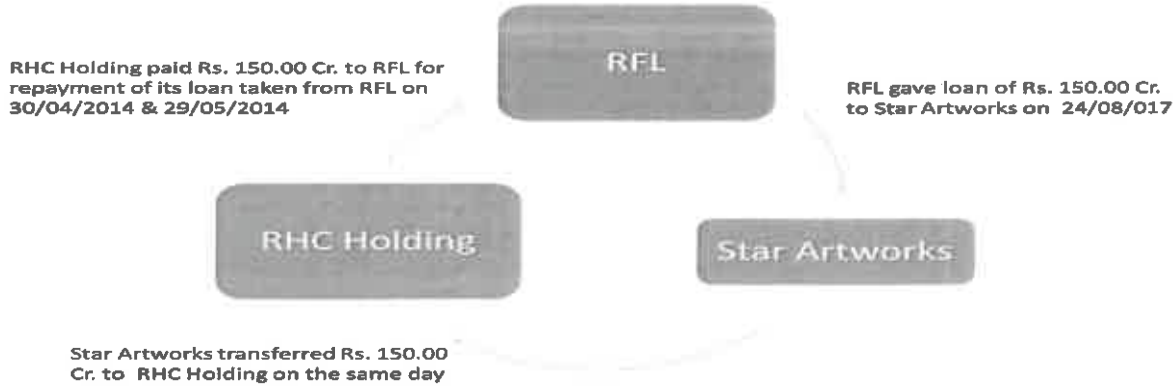
172. I further note that Rosestar acted as a conduit entity and facilitated diversion of Rs. 19.10 Crore in RFL's loan to OSPL and BRNL.

173. Therefore, I conclude that the Noticee No. 11, Rosestar acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion of funds of REL through RFL.

STAR ARTWORKS PRIVATE LIMITED. (NOTICEE NO. 12)

A. *Sum and Substance of the Allegations*

174. It is alleged that RFL granted unsecured loan of Rs. 150 Crore to ***Star Artworks Private*** Limited **(Star Artworks/Noticee No. 12)** on August 24, 2017 which transferred it to RHC Holding on the same day. RHC Holding utilised the said amount to repay its earlier loans from RFL taken on April 30, 2014 and May 29, 2014. 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: -



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

RFL transfers Rs. 129.40 Crores to **RHC Holding** on 29th April 2014

↓

RHC Holding transfers Rs. 129.40 Crores to **multiple mutual funds and a bank** on 30th April 2014
(part of payment of Rs. 350 Crores)

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

RFL transfers Rs. 129.75 Crores to **RHC Holding** on 29th May 2014

↓

RHC Holding transfers Rs. 129.75 Crores to **multiple mutual funds** on 30th May 2014
(part of payment of Rs. 375 Crores)

175. In view of the same, it is alleged that, Star Artworks had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

176. The SCN dated February 15, 2021 was sent to Star Artworks at the last known address i.e. "*Khasra* No. *288, 289, 290, Village – Gadaipur, Tehsil – Meharuli, Dist. - South West Delhi, New Delhi – 110 030*", however the same was not delivered. Thereafter, in compliance with AO Rules

the said SCN was affixed on March 13, 2021 at the aforesaid address of Star Artworks. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

177. Alternate address of the noticee was found from the MCA website, and in the interest of justice, a copy of SCN dated February 15, 2021 was sent to the alternate address i.e. "*G - 16, MARINA ARCADE, CONNAUGHT CIRCUS, NEW DELHI Central Delhi DL 110001*" vide letter dated April 26, 2022, which was delivered on May 02, 2022. A copy of the letter dated April 26, 2022, was also sent to the noticee vide email dated April 26, 2022 at email id mentioned on the MCA website i.e. "*starartworks@outlook.com*". However, no reply was filed by the noticee.

C. Consideration of Allegations, replies and Submissions

178. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

179. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 12. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 12. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

180. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 12 had taken a loan of Rs. 150 Crores from RFL on August 24, 2017. As explained above, the said loan was transferred and ultimately utilized by RHC Holding (wholly owned and controlled by Singh brothers).

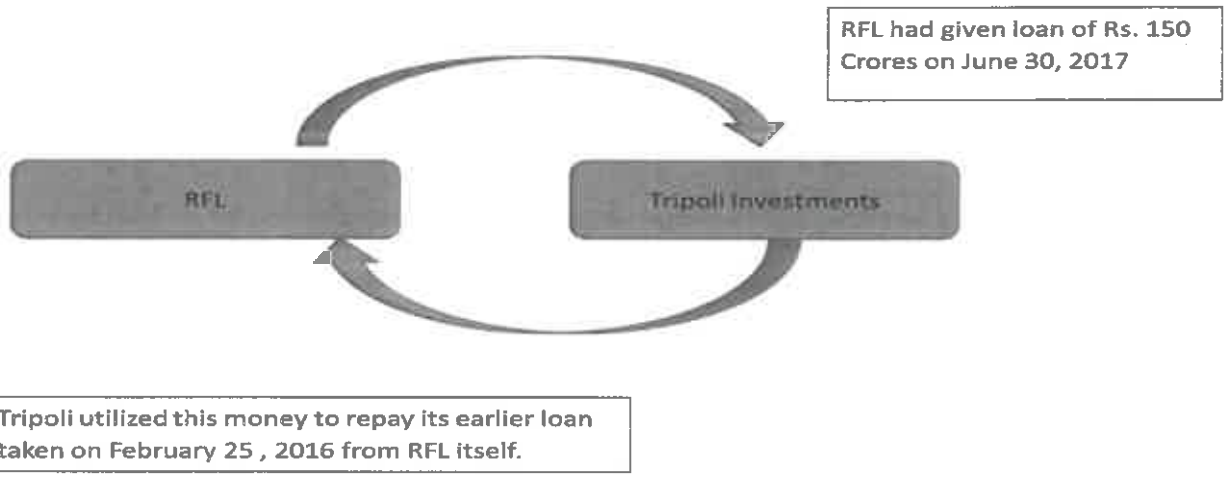
181. Therefore, I conclude that the Noticee No. 12, Star Artworks acted as borrower entity and was part of an elaborate scheme of diversion of funds of REL through RFL.

TRIPOLI INVESTMENT & TRADING CO. (NOTICEE NO. 13)

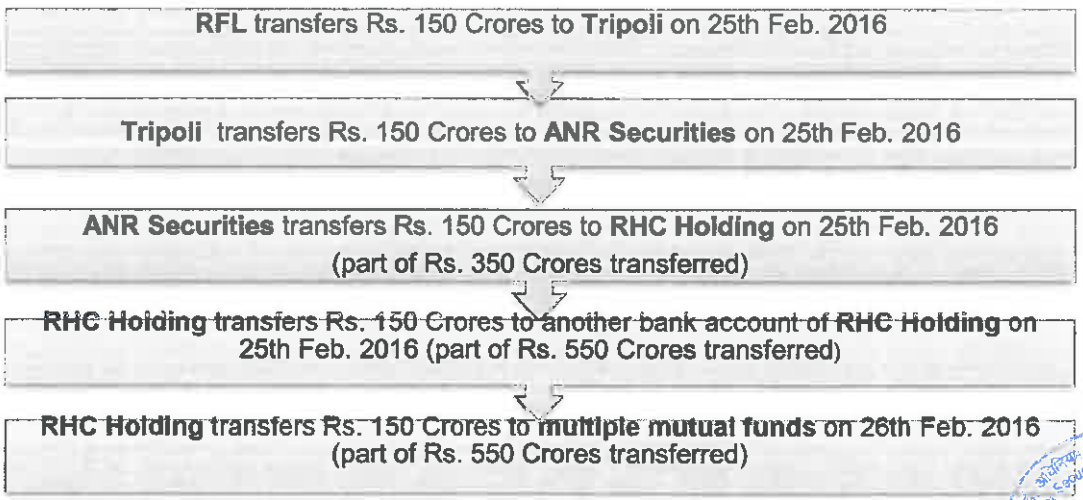
A. Sum and Substance of the Allegations

182. It is alleged that, RFL had granted unsecured loan of Rs.150 Crores each on February 25, 2016 & June 30, 2017 to ***Tripoli Investment & Trading Co.*** **(Tripoli/ Noticee No. 13).** The loan of Rs. 150 Crores granted on June 30, 2017 was utilised by Tripoli for repayment of its earlier loan taken from RFL on February 25, 2016.

183. The pictorial presentation of the same transaction are as follows: -



184. The earlier loan of Rs. 150 Crores taken by Tripoli on February 25, 2016 was transferred by it to ANR ***Securities*** which transferred it to RHC Holding on the same day. RHC Holding in turn used the said amount to pay off its mutual fund liabilities. The pictorial presentation of the same transaction are as follows: -



185. Hence it is alleged that the loan of Rs. 150 Crores were ultimately utilized by RHC Holding (wholly owned and controlled by Singh brothers).

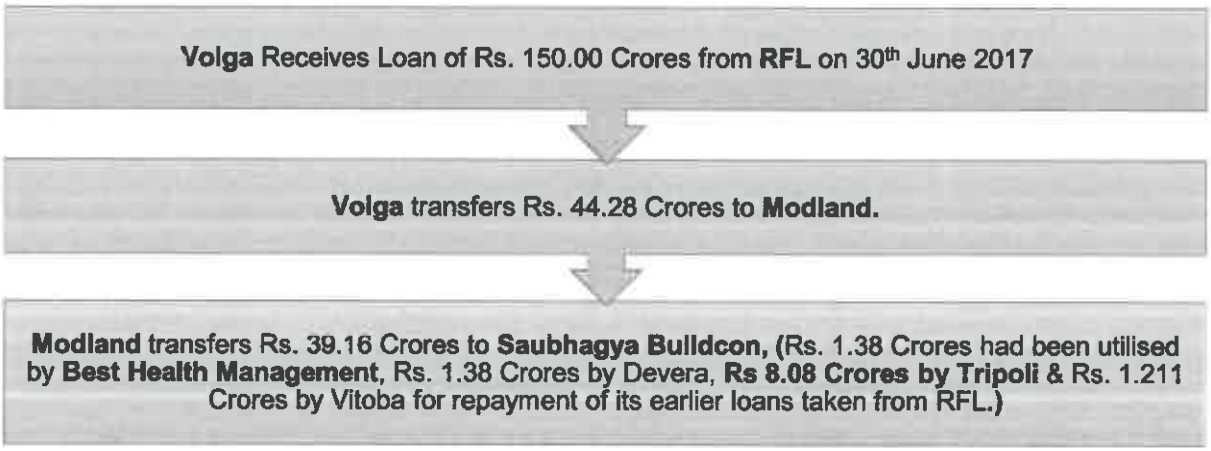
186. It is also alleged that Tripoli acted as conduit entity in RFL's loan to Volga.

Tripoli's role as conduit entity in RFL's loan to Volga

187. RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga Management & Consultancy private Limited (Volga). As regards the unsecured loan of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its aforesaid loan of Rs. 100 Crores granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in following manner:

(i) On June 30, 2017 Volga transferred Rs. 44.28 Crores to Modland. Out of the said Rs. 44.28 Crores Modland transferred Rs. 39.16 Crores to Saubhagya and Rs. 5.13 Crores to Artifice.

(ii) As regards the amount of Rs. 39.16 Crores transferred to Saubhagya, amount of Rs. 12.05 Crores was utilised by Best Health Management, Devera Developers, **Tripoli** and Vitoba to repay their earlier loans taken from RFL.



188. In view of the above, it is alleged in the SCN that, Tripoli had acted as borrower and conduit entity and contributed to diversion of funds of RFL to the promoter group entities as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

189. The SCN dated February 15, 2021 was sent to Tripoli at the address mentioned on the MCA website, i.e. "*Shop No. 29, Ground Floor CSC, New Rajdhani CHBS Ltd, Preet Vihar, Delhi East,* Delhi – *110 092*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Tripoli. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

190. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

191. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 13. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 13. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

192. From the analysis of fund trail, bank statements and the documents, I note that RFL had granted unsecured loan of Rs.150 Crores each on February 25, 2016 & June 30, 2017 to Tripoli. The loan of Rs. 150 Crores granted on June 30, 2017 was utilised by Tripoli for repayment of its earlier loan from RFL taken on February 25, 2016. The loan of Rs. 150 Crores taken by Tripoli on February 25, 2016 was layered through various entities and ultimately utilised by RHC Holdings (RFL's promoter group entity) to pay off its mutual fund liabilities.

193. I also note that the Noticee No. 13 acted as conduit entity in respect of loan of Rs. 150 Crores granted by RFL to Volga on June 30, 2017 wherein the Noticee No. 13 mis-utilised Rs. 8.08 Crores for repayment of earlier loan taken from RFL itself, as explained above.

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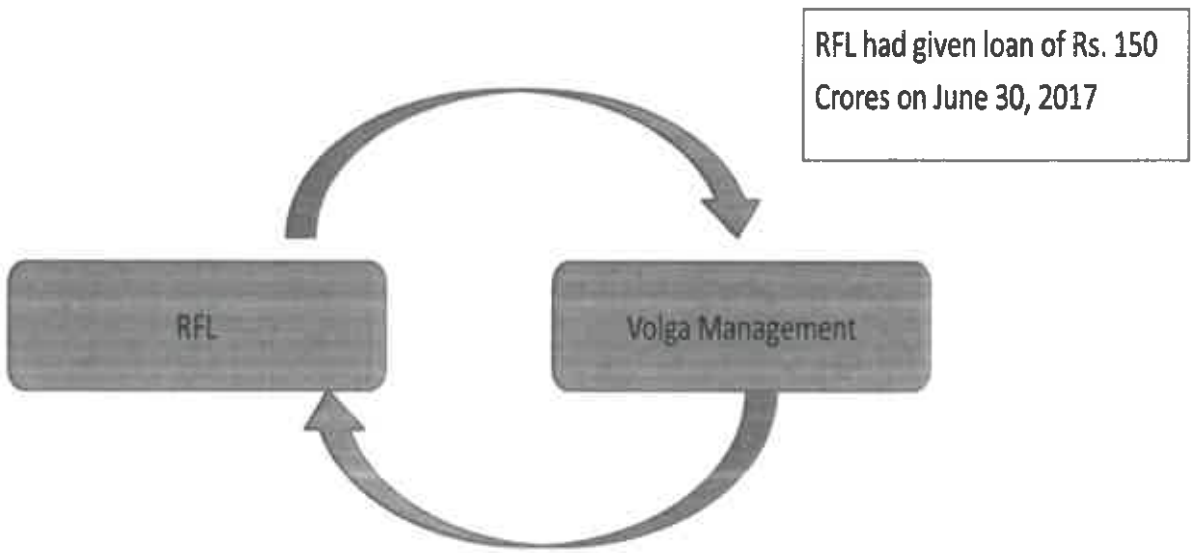
194. Therefore, I conclude that the Noticee No. 13, Tripoli acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

VOLGA MANAGEMENT AND CONSULTANCY PVT. LTD. (NOTICEE NO. 14)

A. Sum and Substance of the Allegations

195. It is alleged that, RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to ***Volga Management and* Consultancy *Pvt. Ltd.* (Volga/Noticee No. 14)**. As regards the unsecured loan of Rs. 100 Crores taken by Volga on February 25, 2016, the same was transferred to ANR Securities on the same day. ANR Securities then transferred Rs. 100 Crores to RHC Holding on the same date. RHC Holding used the said loan amount to pay off its liabilities due to multiple mutual funds.

196. As regards the unsecured loan of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its aforesaid loan granted by RFL on February 25, 2016. The pictorial representation of the same is as follows-



The balance Rs. 44.28 Crores were utilised in following manner:-

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. 1.38 Crores had been utilised by **Best Health Management**, Rs. 1.38 Crores by Devera, Rs 8.078 Crores by Tripoli & Rs. 1.211 Crores by Vitoba for repayment of its earlier 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

197. The loan of Rs. 100 Crores taken by Volga on February 25, 2016 had been utilised in the following manner –

RFL transfers Rs. 100 Crores to **Volga** on 25th Feb. 2016

↓

Volga transfers Rs. 100 Crores to **ANR Securities** on 25th Feb. 2016

↓

ANR Securities transfers Rs. 100 Crores to **RHC Holding** on 25th Feb. 2016 (part of Rs. 350 Crores trasferred)

↓

RHC Holding transfers Rs. 100 Crores to another bank account of **RHC Holding** on 25th Feb. 2016 (part of Rs. 550 Crores transferred)

↓

RHC Holding transfers Rs. 100 Crores to **multiple mutual funds** on 26th Feb. 2016 (part of Rs. 550 Crores transferred)

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198. In view of the above it is alleged in the SCN that, Volga had acted as borrower entity and contributed to diversion of funds of RFL to the promoter group entities as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

199. The SCN dated February 15, 2021 was sent to Volga at the address mentioned on the MCA website i.e. "*Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110 092*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Volga. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed.

200. In the interest of Justice, Notice of Hearing dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

201. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all the entity has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

202. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 14. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No.14. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

203. From the analysis of fund trail, bank statements and the documents, I note that RFL had granted unsecured loans of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017 respectively to Volga. The loan of Rs. 100 Crores was ultimately utilised by RHC Holding to

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pay off its liabilities due to multiple mutual funds. The loan of Rs. 150 Crores was used to repay the earlier loan of 100 Crores and Rs. 25 Crores was transferred to Oscar Investment ltd which utilised the said amount for repayment of earlier loan of Rs. 25 Crores taken from RFL which was ultimately transferred to RHC Holding (wholly owned and controlled by Singh brothers). Further, as mentioned above and discussed elsewhere in this order, the remaining amount was utilised by various entities to repay loans or interest on loans taken from RFL itself.

204. Therefore, I conclude that the Noticee No. 14, acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

ZOLTON PROPERTIES PVT. LTD. (NOTICEE NO. 15)

A. Sum and Substance of the Allegations

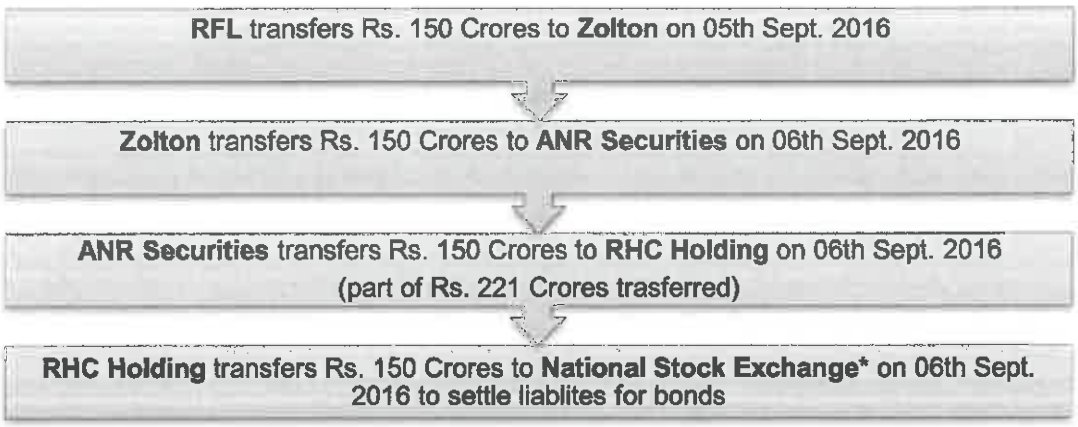
205. It is alleged that that, RFL had granted unsecured loan of Rs.150 Crores on September 05, 2016 and Rs. 10 Crores on September 07, 2016 to ***Zolton Properties Pvt. Ltd.*** **(Zolton/Noticee No. 15)**. The utilisation of the said loans are mentioned under:

(i) As regards loan of Rs. 150 Crores, Zolton transferred Rs. 150 Crores to ANR Securities on September 06, 2016 and on the same day ANR Securities transferred it to RHC Holding. On the same day, RHC Holding transferred the said amount to National Stock Exchange to settle liabilities for bonds.

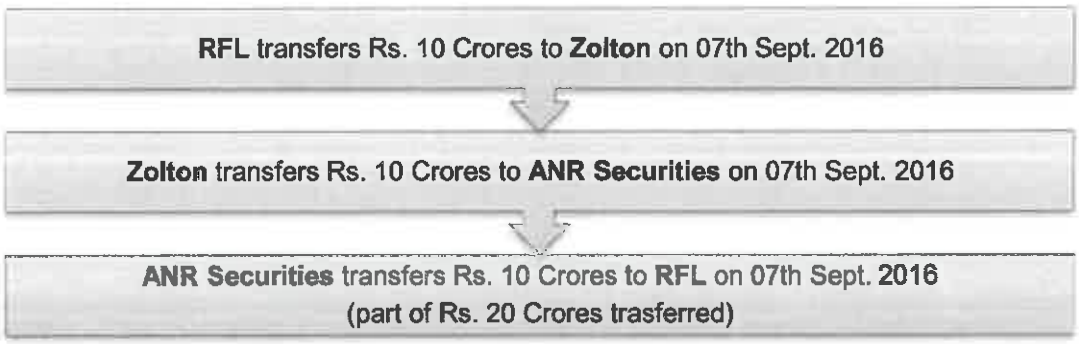
(ii) As regards loan of Rs. 10 Crores, Zolton transferred Rs. 10 Crores to ANR Securities on September 07, 2016. ANR Securities used the said loan clear its dues to REL. It is noteworthy that ANR Securities was a wholly owned subsidiary of RHC Holding, a promoter owned company.

206. 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



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



207. Hence it is alleged that the loan of Rs. 150 Crores were ultimately utilized by RHC Holding, and loan of Rs. 10 Crores were ultimately utilised by ANR Securities, one of the promoter group entities, to clear its dues to RFL.

208. In the SCN it is alleged that, Zolton had acted as borrower entity and contributed to diversion of funds of RFL to the promoter group entities as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

209. The SCN dated February 15, 2021 was sent to Zolton at the address mentioned on the MCA website i.e. *"Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110 092"*, however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Zolton. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN

was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

210. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that the entity has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

211. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 15. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 15. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

212. From the analysis of fund trail, bank statements and the documents, I note that loan of Rs. 150 Crores taken on September 05, 2016 had been utilised by RHC Holding and loan of Rs. 10 Crores taken on September 07, 2016 had been ultimately utilised by ANR Securities to clear its dues to REL, as mentioned above.

213. Therefore, I conclude that the Noticee No. 15, Zolton acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion/mis-utilisation of funds of REL through RFL.

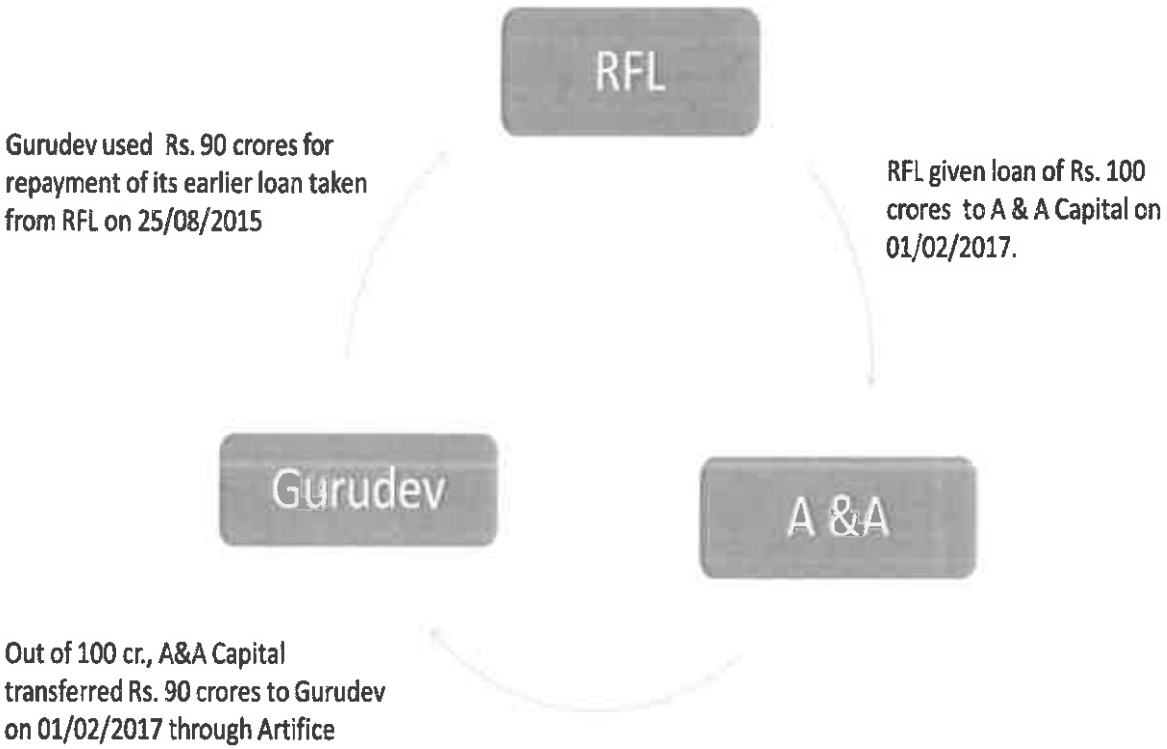
A&A CAPITAL SERVICES PVT. LIMITED (NOTICEE NO. 16)
NEELANCHAL HOLDINGS PRIVATE LTD. (NOTICEE NO. 29)

214. A&A Capital Services Pvt. Ltd. (Noticee No. 16) and Neelanchal Holdings Pvt. Ltd. (Noticee No. 29) were represented by same authorized representative and similar replies/arguments have been made for the said noticees. Therefore, it is felt appropriate to deal with the allegations levelled against the Noticee No. 16 and 29 at one place.

A. Sum and Substance of Allegations

Role of the Noticee No. 16 as borrower entity

215. It is alleged that the Noticee No. 16 acted as borrower/conduit entity in the diversion of funds of RFL to the erstwhile promoter group entities of RFL/REL. The Noticee No. 16 is alleged to have acted as borrower entity in the following chain of transaction which led to diversion of funds:



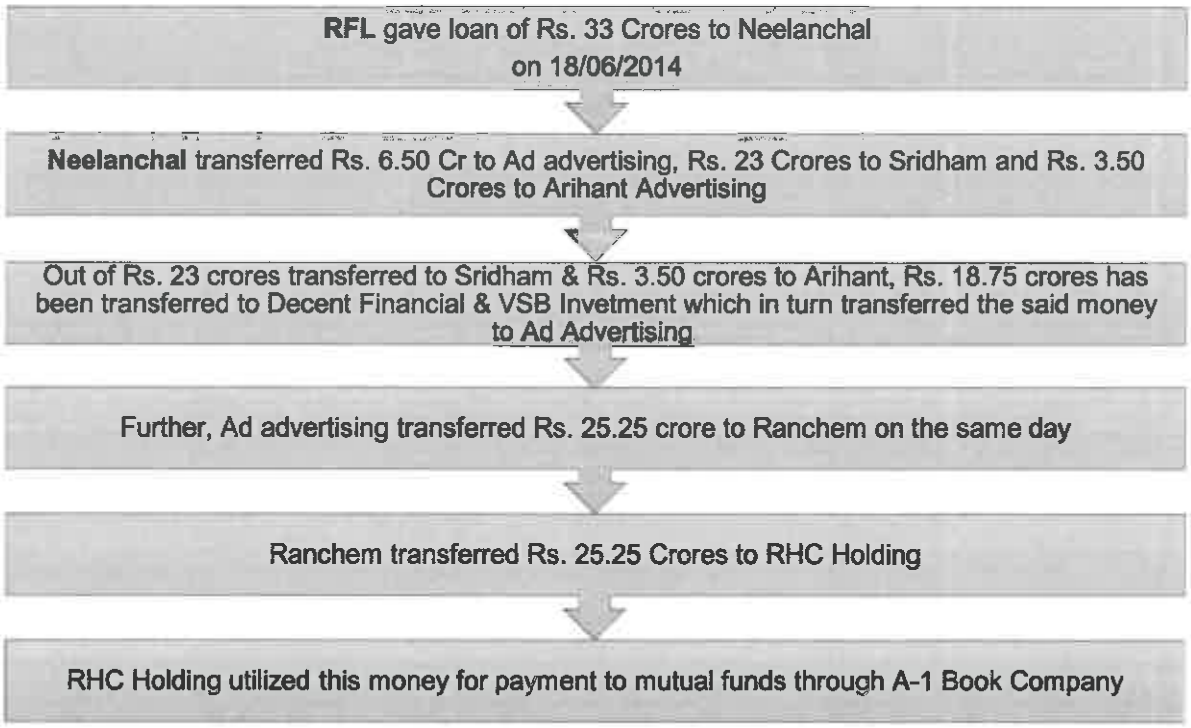
216. Out of the aforesaid amount of Rs. 90 Crores received by Gurudev from A&A Capital on August 25, 2015, Gurudev utilized the said amount as under:



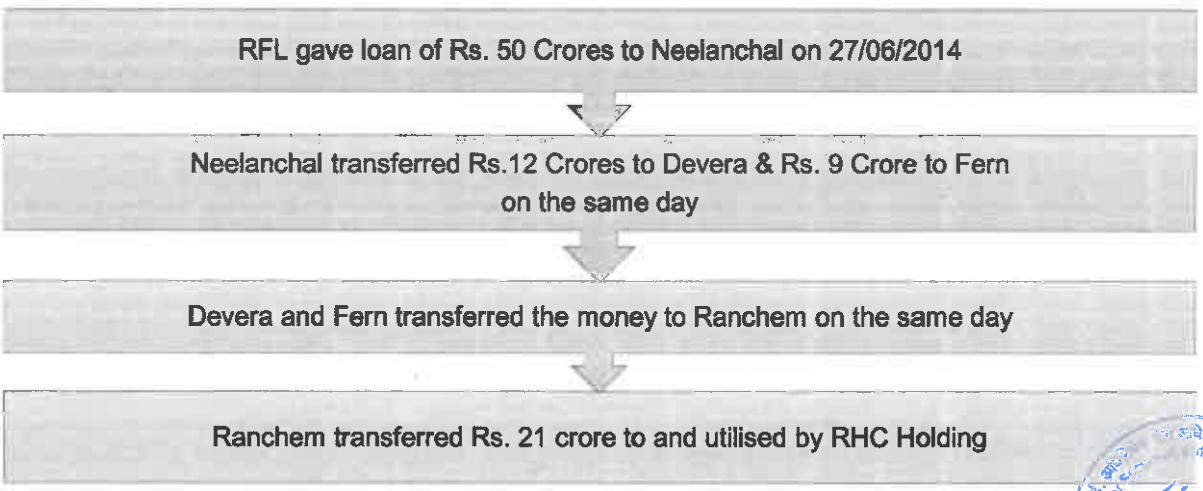
Role of the Noticee No. 29/Neelanchal as borrower entity in diversion/mis-utilisation of funds of RFL:

217. Neelanchal Holding (noticee no. 29) utilized the aforesaid amount of Rs. 84.5 Crores received from Nishu Finlease for repayment of its earlier loans of Rs. 83 Crores (Rs. 33 Crores+Rs. 50 Crores) taken from RFL on June 18, 2014 and June 27, 2014. The utilization of the said loans taken by Neelanchal Holding from RFL is as under:

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

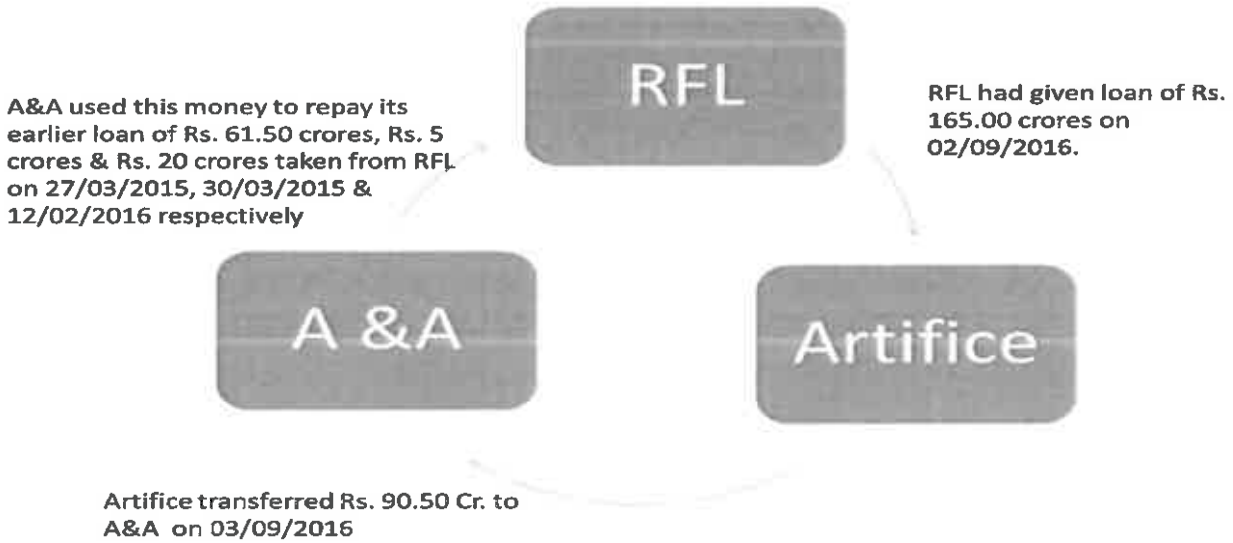


Details of loan amounting to Rs. 50 Crores taken on June 27, 2014

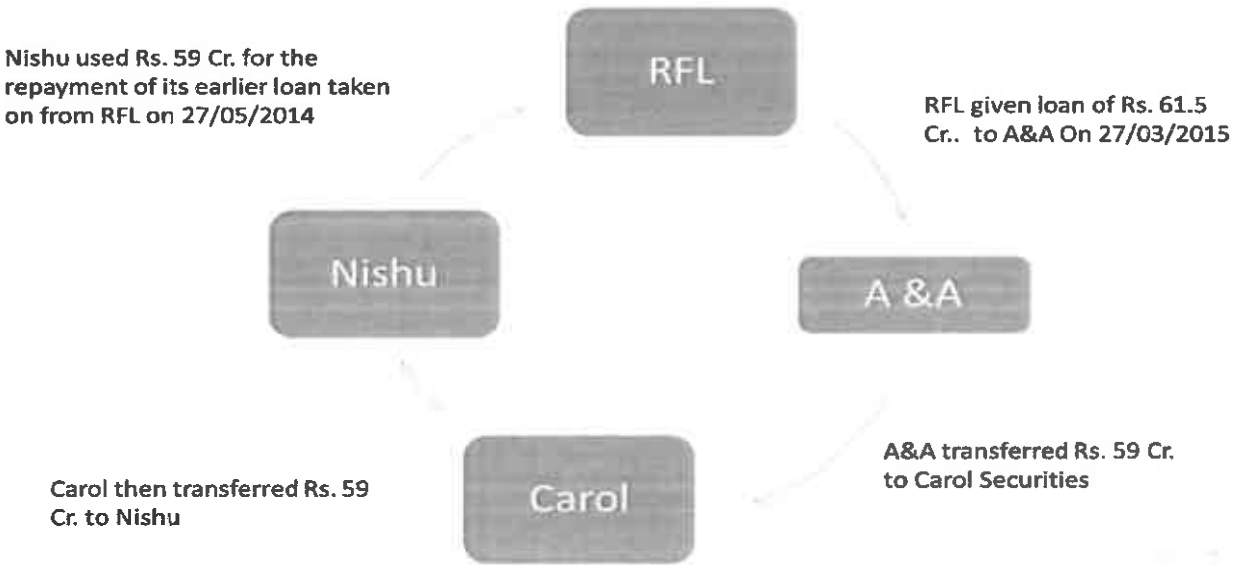


Role of the Noticee No. 16 as conduit entity in diversion/mis-utilisation of funds of RFL:

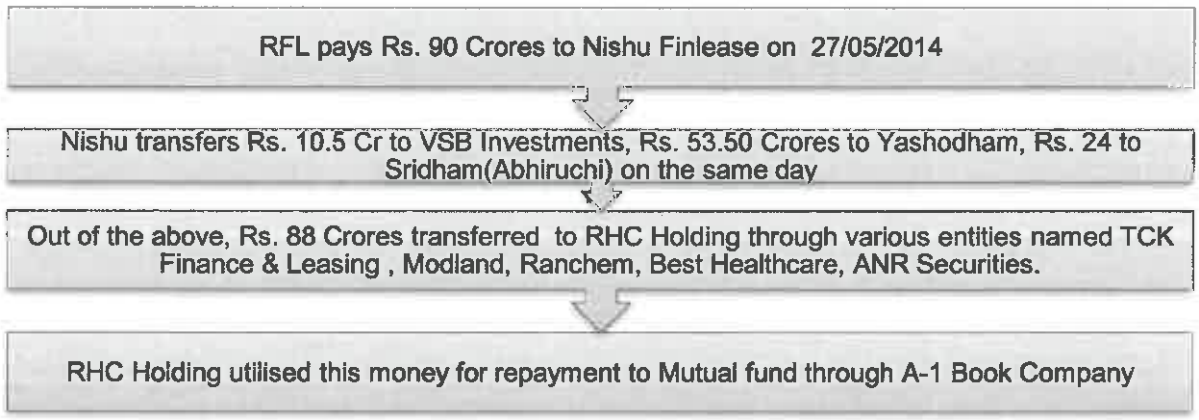
218. In addition to above, it is also alleged that the Noticee No. 16 acted as conduit entity in following chain of transactions:



219. The Noticee No. 16 utilised the aforesaid loan of Rs. 61.50 Crores loan taken from RFL on March 27, 2015 in the following manner:



220. As mentioned above, it is alleged that Nishu Finlease used the aforesaid amount of Rs. 59 Crores for part-repayment of its earlier loan of Rs. 90 Crores taken from RFL on May 27, 2017. The utilization of the said loan of Rs. 90 Crores taken by Neelanchal Holding from RFL is as under:



Role of the Noticee No. 29 as conduit entity in diversion/mis-utilisation of funds of RFL:

221. In connection with the loan of Rs. 92.4 Crores of RFL transferred to Sridham on February 1, 2017, it is alleged that the Noticee No. 29 utilised the funds of Rs. 66.40 Crores, as repayment of earlier loans taken by the Noticee No. 29 from RFL.

222. In view of the aforesaid, it is alleged that, Noticee Nos. 16 and 29 had acted as a borrower as well as conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

223. The SCN was sent to the Noticee No. 16 by SPAD which returned undelivered. Thereafter, the SCN was hand delivered to the Noticee No. 16 on March 13, 2021. Pursuant to the request of the Noticee No. 16, the opportunity of inspection of documents was provided to the Noticee No. 16 on November 23, 2021 which was adjourned to December 09, 2021 on request of the authorized representative of the Noticee No. 16. On December 09, 2021, the authorized representative of the Noticee No. 16 carried out the inspection of the documents. Thereafter, vide hearing notice dated December 23, 2021, a hearing opportunity was provided to the Noticee No. 16 on January 10, 2022

which was adjourned to January 14, 2022 on request of the authorized representative of the Noticee No. 16. The Noticee No. 16 filed reply dated January 11, 2022. The Noticee No. 16 was duly represented by his authorized representative on the said date of hearing through webex and the Noticee No. 16 filed additional reply dated January 31, 2021. In the replies and on the said date of hearing, the Noticee No. 16 made submissions *inter alia* as under:

(i) The Noticee No. 16 refuted the violations in the SCN and stated that the SCN is vague.

(ii) The Noticee No. 16 had executed bonafide loan transactions under the normal course of business.

(iii) The Noticee No. 16 denies that it was part of any group who was allegedly involved in the diversion and/or misuse of funds by REL trough RFL.

(iv) The SCN is bad in law as the same has been issued after a period of more than 4 years form the execution of purported financial transactions. In this regard, the Noticee No. 16 has referred to various orders of SAT.

(v) The financial transactions of Noticee No. 16 does not come under the purview of SEBI.

(vi) SEBI has not provided as to who conducted the investigation and when it was completed. The original investigation report was not provided. The prima facie grounds, on the basis of which the Competent Authority has ordered for inquiring the matter against Noticee No. 16 has not been provided. The loan transactions document has not been shared. Further, SEBI has not shared several communications made with RBI and other entities. Therefore, principle of natural justice has not been followed.

(vii) Some of the entities which were subject of Forensic Audit are not the Noticees in the current proceedings.

(viii) The Noticee was not involved in any activity which can be construed as fraud.

224. The SCN was sent to the Noticee No. 29 by SPAD which was delivered on February 20, 2021. However, no reply was received. Thereafter, vide hearing notice dated August 12, 2021 hearing opportunity was provided to the Noticee No. 29 which returned undelivered. Since the said hearing notice returned undelivered, vide e-mail dated January 31, 2022 a digitally signed hearing notice was sent to Noticee No. 29 to its e-mail id "neelanchalpvtltd@gmail.com" as available on MCA website. In response to the said hearing notice, Noticee No. 29 vide letter dated February 16, 2022 sought opportunity of inspection in the matter which was duly provided on February 24, 2022 on which date the Authorised Representative of the Noticee No. 29 carried out the inspection. Thereafter, vide hearing notice dated March 11, 2022 hearing opportunity was provided to the Noticee No. 29 on March 29, 2022. The Noitcee No. 29 filed its reply on March 25, 2022 and was

represented by its authorized representative on March 29, 2022. In the reply and on the said date of hearing, the authorized representative of Noticee No. 29 made similar submissions as made in the hearing opportunity granted to Noticee No. 16.

C. *Consideration of Allegations, Replies and Submissions*

225. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 16 and 29 and their replies/written submissions

226. The Noticee Nos. 16 and 29 have contended that there is a delay in issuance of SCN. This contention is dealt in detail in Part III which deals with common contentions of the noticees. It is also contended by the Noticee Nos. 16 and 29 that the SCN is vague. This contention is dealt in detail in Part III which deals with common contentions of the noticees.

227. As regards the contention of the Noticee Nos. 16 and 29 in respect of providing inadequate details and documents, the same is dealt in detail in Part III which deals with common contentions of the noticees. In addition to the same, I note that the Noticee Nos. 16 and 29 have not shown as to how the documents supllied to them were inadequate and what was the prejudice caused to them nor they sought any particular document which was denied. In any case, the Noticee Nos. 16 and 29 have not denied the financial transactions in which they were involved and which led to diversion/mis-utilisation of funds of RFL. Thus, the contention of the Noticee Nos. 16 and 29 that the documents/information provided to them was inadequate, is untenable and baseless.

Role of the Noticee No. 16 in diversion/mis-utilisation of funds of RFL

228. In respect of the loan transaction entered into between RFL and the Noticee No. 16, the Noticee No. 16 has referred to MoU dated January 31, 2017 entered into between RFL and the Noticee No. 16 in respect of loan of Rs. 100 Crores taken by the Noticee No. 16 from RFL on February 1, 2017. In this regard, I note that the e-Stamp issuance date of the said MoU is September 28, 2016 and it does not mention the name of the Noticee No. 16 as second party and simply mentions RFL as first party. This indicates that the said MoU appears to be not genuine and was entered into to cover up the non-genuineness of the loan transaction entered into between RFL and the Noticee No. 16.

229. The Noticee No. 16 has also referred to End Use Certificate dated March 1, 2017 issued by L.N. Todi & Co. in respect of loan of Rs. 100 Crores taken by the Noticee No. 16 from RFL on February 1, 2017. The said End Use Certificate simply mentions that the amount disbursed to the Noticee No. 16 was used for "Working Capital requirement/General Corporate purposes" and does not provide a clear picture of the utilization of the said amount of Rs. 100 Crores. Further, the said End Use Certificate is also not supported by any other third party document. Therefore, the said End Use Certificate is nothing but eyewash to cover up the non-genuineness of the loan transaction between the Noticee No. 16 and RFL.

230. It is noted that the Noticee No. 16 had acted in following capacities in diversion of funds of REL through RFL:

(a) On February 1, 2017, the Noticee No. 16 borrowed Rs. 100 Crores from RFL and transferred Rs. 90 Crores to Gurudev which utilized the said amount to repay an earlier loan of Rs. 90 Crores taken by it from RFL on August 25, 2015. The loan of Rs. 90 Crores taken by Gurudev from RFL on Augsut 25, 2015 was transferred to Neelanchal through Nishu Finlease. Neelanchal utilized the said amount for repayment of the earlier loans of Rs. 33 Crores and Rs. 50 Crores taken by it from RFL on June 18, 2014 and June 27, 2014 respectively. Out of the said loans, Neelanchal transferred Rs. 46.25 Crores to RHC Holding which is explained in the part relating to Neelanchal (noticee no. 29). Therefore, the Noticee No. 16 acted as a borrower entity and contributed to diversion of funds of Rs. 46.25 Crores of REL through RFL for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) and remaining amount of Rs. 43.75 Crores was utilized for repayment of earlier loans taken from RFL.

(b) On September 3, 2016, the Noticee No. 16 acted as conduit entity by borrowing Rs. 90.50 Crores from Artifice which had received a loan of Rs. 165 Crores from RFL on the previous day i.e. September 2, 2016. This amount was utilized by the Noticee No. 16 for repayment of the earlier loans of Rs. 61.5 Crores, Rs. 5 Crores and Rs. 20 Crores taken by it on March 27, 2015, March 30, 2015 and February 2, 2016 respectively from RFL. Further, out of the loan of Rs. 61.50 Crores taken by the Noticee No. 16 from RFL on March 27, 2015, Rs. 59 Crores were transferred by the Noticee No. 16 to Nishu Finleae. Nishu Finlease utilized the said amount of Rs. 59 Crores for part repayment of an earlier loan of Rs 90 Crores taken by it from RFL on May 27, 2014. As explained in the part relating to Nishu Finlease (noticee No. 28), an amount of Rs. 88 Crores out of the said loan was ultimately utilized by RHC Holding

(wholly owned and controlled by Singh brothers). Therefore, the Noticee No. 16 as a conduit entity contributed to diversion of funds of Rs. 59 Crores of REL through RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 16 also utilized funds amounting to Rs. 27.5 Crores for repayment of earlier loans taken by it from RFL.

231. In view of the aforesaid, the Noticee No. 16 contributed to the diversion of funds of Rs. 105.25 Crores (Rs. 46.25 Crores as borrower entity and Rs. 59 Crores as conduit entity) of REL through RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and also contributed mis-utilisation of funds of Rs. 43.75 Crores which utilized by Gurudev for repayment of earlier loan taken from RFL. Further, the Noticee No. 16 also acted as a conduit entity in mis-utilisation of the funds of Rs. 27.5 Crores of RFL for repayment of earlier loans take from RFL itself.

Role of the Noticee No. 29 in diversion/mis-utilisation of funds of RFL

232. As regards the Noticee No. 29, the said noticee had taken loan of Rs. 33 Crores and Rs. 50 Crores on June 18, 2014 and June 27, 2014. The Noticee No. 29 has contended that the transactions entered into by it with RFL are genuine transactions and are not illegal. In this regard, from the material available on record, it is observed that out of the loans of Rs. 33 Crores, an amount of Rs. 25.25 Crores and out of the loan of Rs. 50 Crores, an amount of Rs. 21 Crores ultimately reached RHC Holding (wholly owned and controlled by Singh brothers) through various layered entities on the very same day in the following manner:

(i) Loan of Rs. 33 Crores taken by the Noticee No. 29 on June 18, 2014:

(a) The Noticee No. 29 transferred Rs. 6.5 Crores to Ad Advertising, Rs. 23 Crores to Sridham and Rs. 3.5 Crores to Arihant. Sridham transferred Rs. 13.45 Crores to Decent Financials and Rs. 5.3 Crores to VSB Investment

(b) Decent Financials and VSB Investment transferred Rs. 13.45 Crores and Rs. 5.3 Crores respectively to Ad Advertising.

(c) Ad Advertising transferred Rs. 25.25 Crores to RHC Holding.

(ii) **Loan of Rs. 50 Crores taken by the Noticee No. 29 on June 27, 2014:** Neelanchal transferred Rs. 12 Crores to Devera Developers and Rs. 9 Crores to Fern. Fern and

Devera Developers transferred the said amount of Rs. 21 Crores to Ranchem which transferred it to RHC Holding.

233. It is pertinent to note that, the Noticee No. 29 repaid the aforesaid loans of Rs. 33 Crores and Rs. 50 Crores out of the funds indirectly received from RFL itself as explained in the part relating to A&A Capital (noticee no. 16).

234. The Noticee No. 29 has neither explained the purpose of the aforesaid loans taken by it from RFL nor produced any document to prove the genuineness of the aforesaid loan transactions. This coupled with the fact that the portion of loans taken by the Noticee No. 29 ultimately reached RHC Holding on the very same day when the loan amount was transferred to the Noticee No. 29, proves that the said loan transactions were not genuine and were only intended to route the money to RHC Holding (wholly owned and controlled by Singh brothers).

235. It is also alleged that out of the loan of Rs. 92.4 Crores granted by RFL to Sridham on February 1, 2017, Rs. 66.40 Crores were transferred to the Noticee No. 29 through Best Health Management (Rs. 50 Crores) and Devera (Rs. 16.4 Crores). From the material available on record, it is noted that the Noticee No. 29 utilised the said amount of Rs. 66.40 Crores (part of Rs. 91.4 Crores transferred by the Noticee No. 29 to RFL on February 2, 2017) for repayment of earlier loans taken by the Noticee No. 29 on August 27, 2015 and August 31, 2015 from RFL itself. This gives an inference that the portion of loan given to Sridham on February 1, 2017 was actually utilized for the purpose of rollover of earlier loan. I note that since the Noticee No. 29 made the said payment on February 1, 2017, there must be a corresponding entry in the ledger books of the Noticee No. 29 in respect of RFL. However, I note that the ledger details of the Noticee No. 29 captures that the amount of Rs. 91 Crore was paid on January 31, 2017 even though the Noticee No. 29 transferred the amount of Rs. 91 Crore to RFL on February 2, 2017. This shows that a false picture was given that the amount was already paid on January 31, 2017 which also shows that transactions were not genuine.

236. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

237. In view of the aforesaid, the Noticee No. 29 as a borrower entity contributed to diversion of funds of Rs. 46.25 Crores (Rs. 25.25 Crores + Rs. 21 Crores) of REL through RFL for ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No.

29 also utilised the funds of Rs. 66.40 Crores of RFL for repayment of earlier loans taken by the Noticee No. 29 from RFL itself.

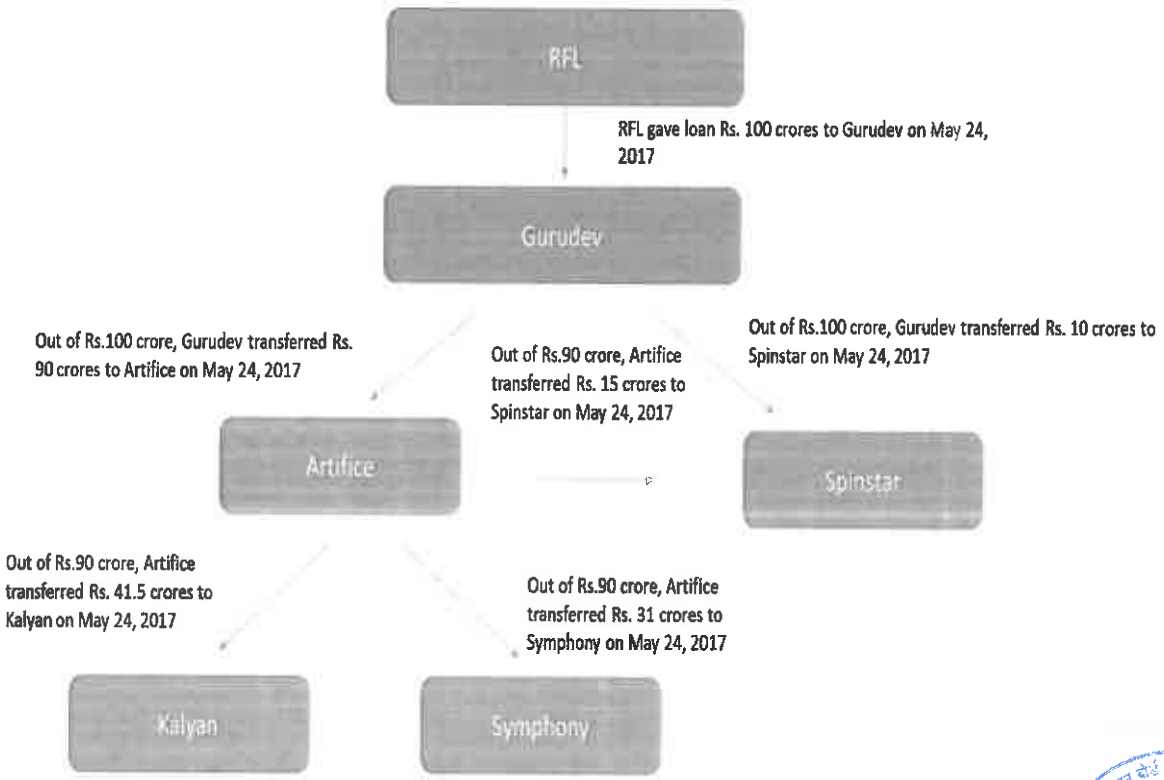
GURUDEV FINANCIAL SERVICES PRIVATE LIMITED (NOTICEE NO. 17)

A. Sum and Substance of the Allegations

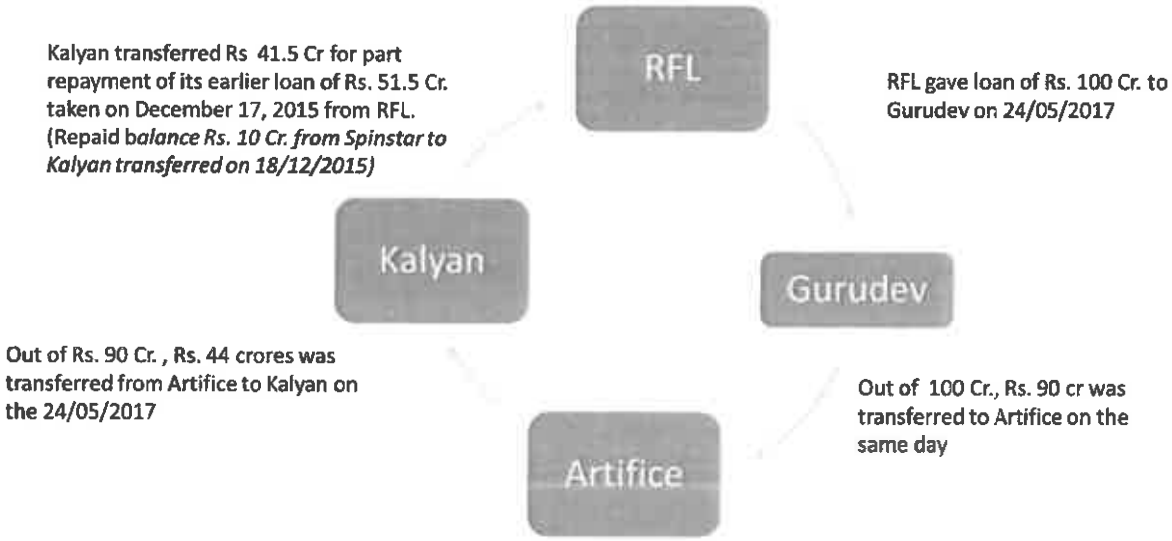
238. It is alleged that RFL had granted unsecured loans of Rs. 100 Crores to Gurudev Financial Services Private Limited **(Gurudev/ Noticee No.17)** on May 24, 2017. The utilisation of the said loan by Gurudev is as mentioned under:

(i) Gurudev transferred Rs. 90 Crores to Artifice and Rs. 10 Crores to Spinstar on same day.

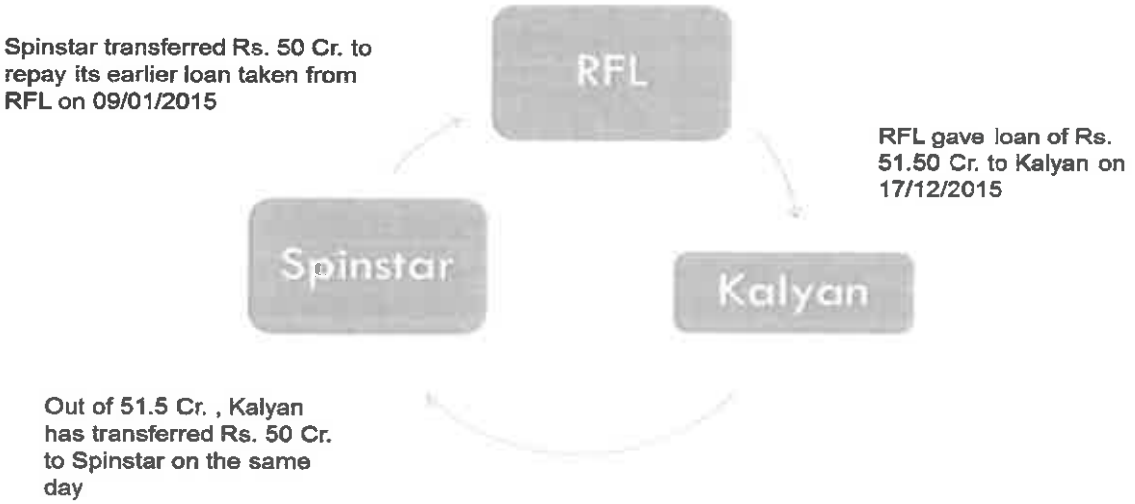
(ii) Out of the aforesaid Rs. 90 Crores to Artifice, Rs. 41.5 Crores were transferred to Kalyan, Rs. 31 Crores were transferred to Symphony on same day and Rs. 15 Crores was transferred to Spinstar.



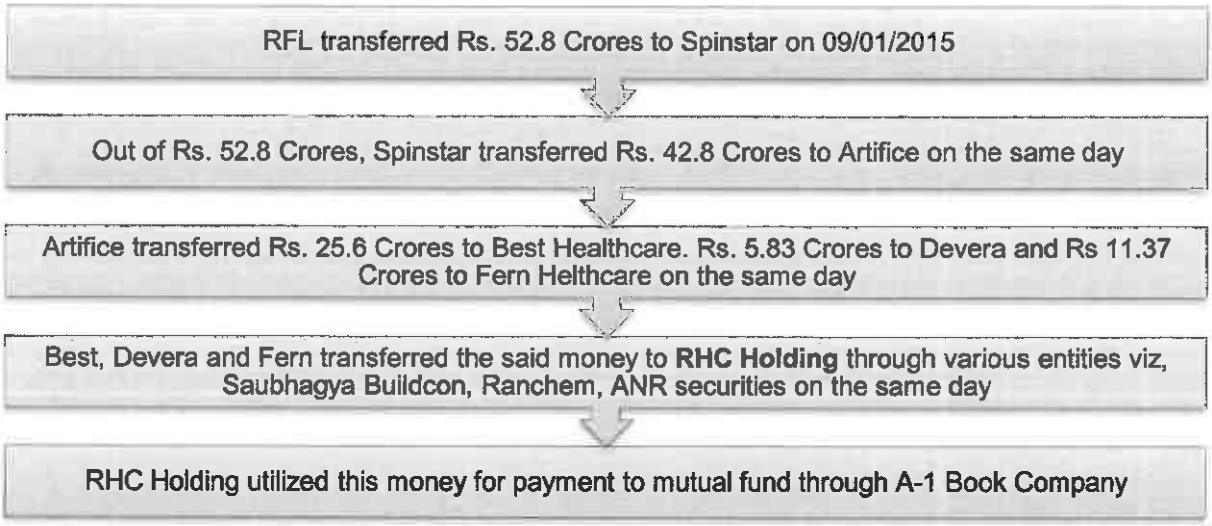
239. The aforesaid amount of Rs. 41.5 Crore was utilised by Kalyan to pay off its earlier loan of Rs. 51.5 Crores taken by it from RFL on December 17, 2015. The balance of Rs. 10 Crores of the said loan of Rs. 51.5 Crores was repaid by Kalyan by taking loan of Rs. 10 Crores from Spinstar on December 18, 2015.



240. As regards the loan of Rs. 51.5 Crores taken by Kalyan on December 17, 2015, the same was transferred to Spinstar on same day. The Spinstar had utilised the said loan from Kalyan to repay its earlier loan it from RFL on January 09, 2015.



241. On January 09, 2015, RFL had granted loan of Rs. 52.8 Crores to Spinstar which was repaid by Spinstar after taking aforesaid loan from Kalyan on December 17, 2015. The utilisation of the said loan of Rs. 52.8 Crores is as follows:



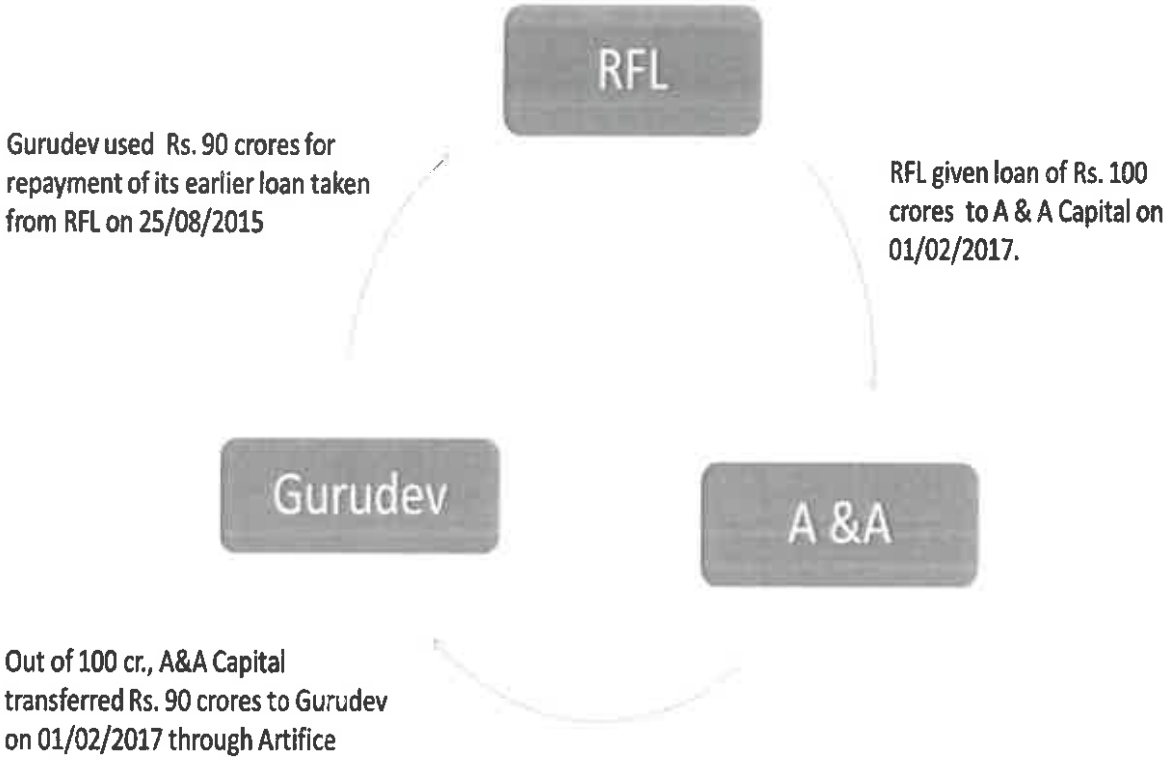
242. It is further alleged that out of the abovementioned loan of Rs.100 Crores., Rs. 25 Crores received by Spinstar from Gurudev had been utilized by Spinstar for part repayment of its loan of Rs. 50 Crores taken from RFL on December 18, 2015 and Rs. 31 Crores transferred by Artifice to Symphony was utilised by Symphony to pay off its earlier loan taken by it from RFL on February 02, 2015 and December 21, 2015.

243. Based on the aforesaid analysis, it is alleged 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 its liabilities to mutual funds through A-1 Book Company. Further, loan funds to the tune of Rs 56 Crores were alleged to have been misutilised for repayment of earlier loans taken by other entities from RFL only.

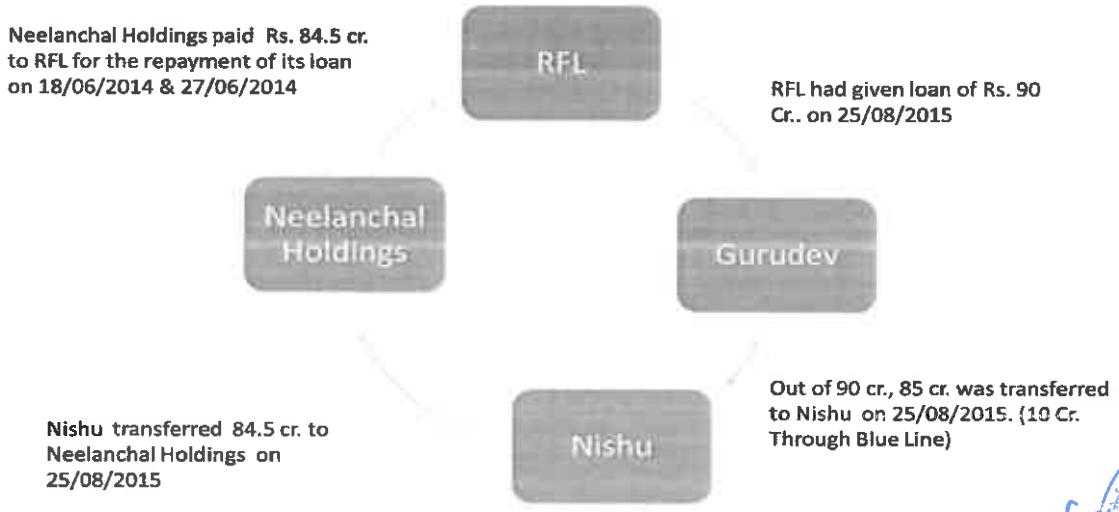
244. It is also alleged that Gurudev acted as conduit entity in RFL's loan to Modland, A&A Capital and Sridham.

Gurudev's role as conduit entity in RFL's loan to A&A Capital

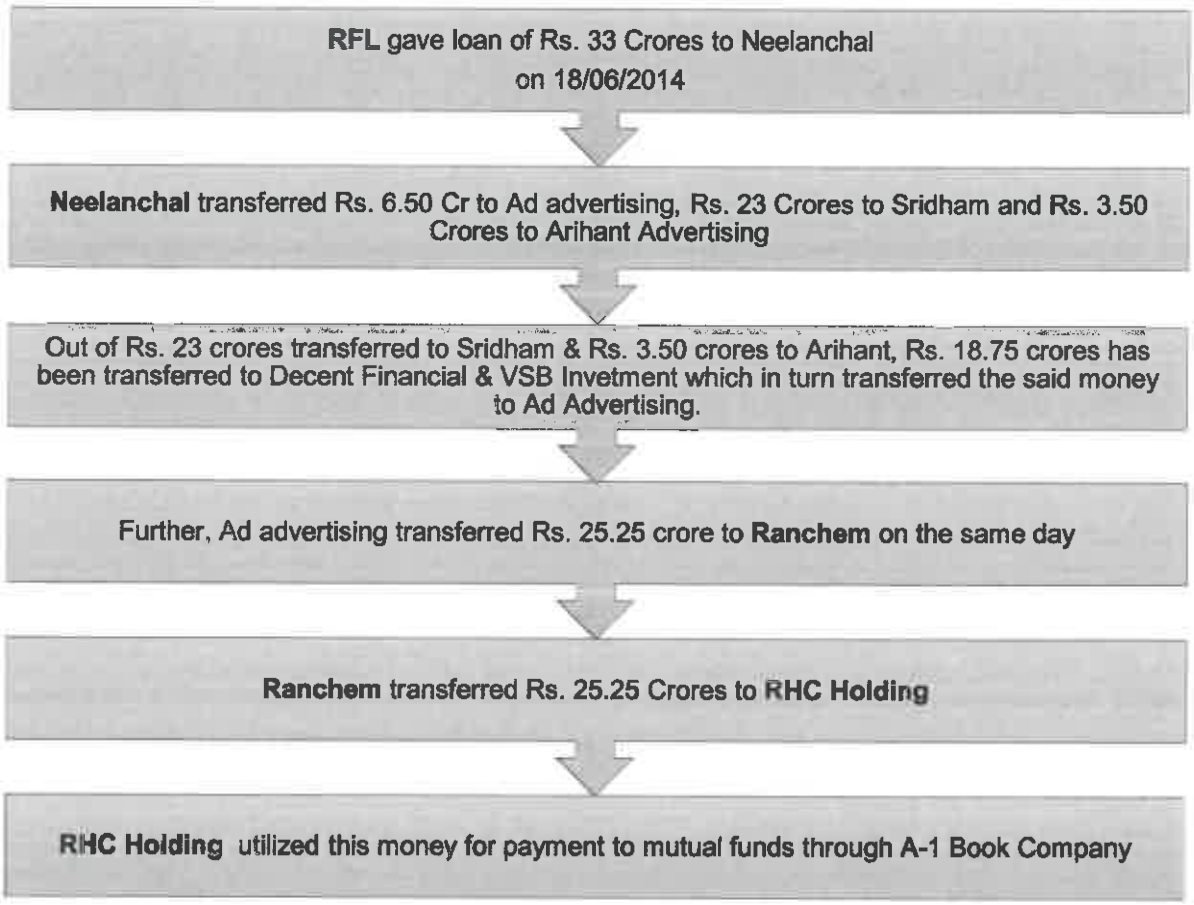
245. RFL had granted unsecured loans of Rs. 100 Crores to A&A Capital on February 01, 2017. On same day, out of the said amount A&A Capital transferred Rs. 90 Crores to **Gurudev** which utilised it to repay the loan of Rs. 90 Crores taken by it from RFL on August 25, 2015. The pictorial representation of the same is as follows-



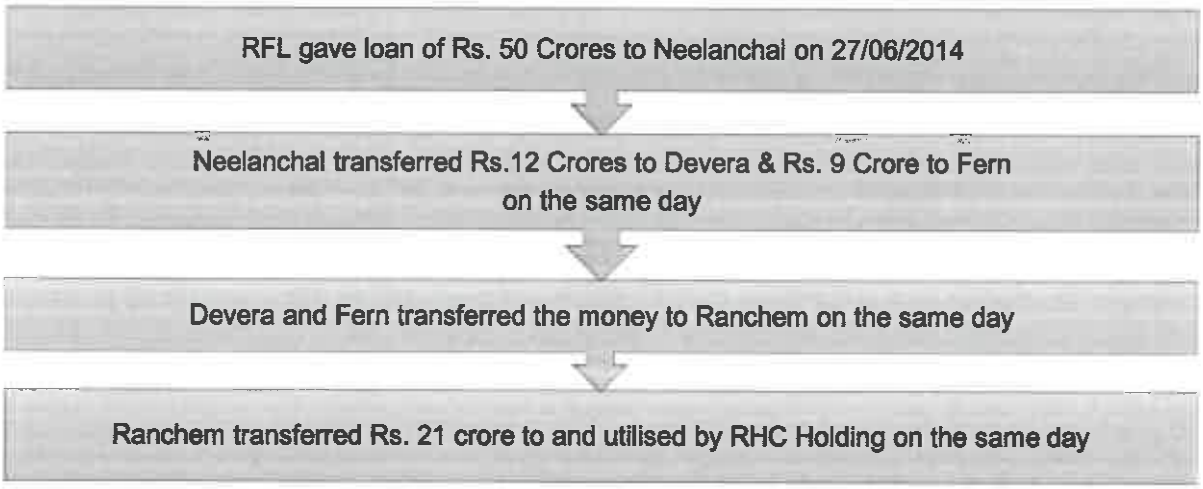
246. Out of the aforesaid loan of Rs. 90 Crores taken by **Gurudev** from RFL on August 25, 2015, Rs. 85 Crores was transferred by Gurudev to Nishu Finlease Pvt. Ltd. (Nishu Finlease) on the same day. Nishu Finlease transferred Rs. 84.5 Crores to Neelanchal Holdings Pvt. Ltd. (Neelanchal) which used it to repay the loan of Rs. 84.5 Crores taken by it from RFL on June 18, 2014 and June 27, 2014. Neelanchal had taken loan of Rs. 33 Crores and Rs. 50 Crores respectively on the said dates. The pictorial representation of the same is as follows-



247. The utilisation of the loan of Rs. 33 Crores taken by Neelanchal on June 18, 2014 is as under:



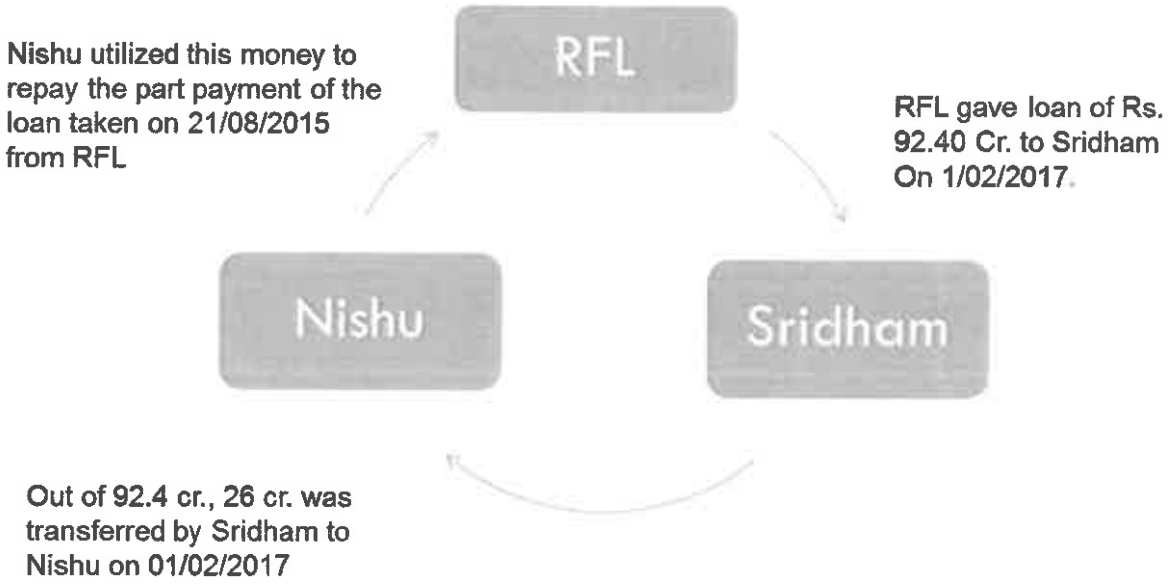
248. The utilisation of the loan of Rs. 33 Crores taken by Neelanchal on June 27, 2014 is as under:



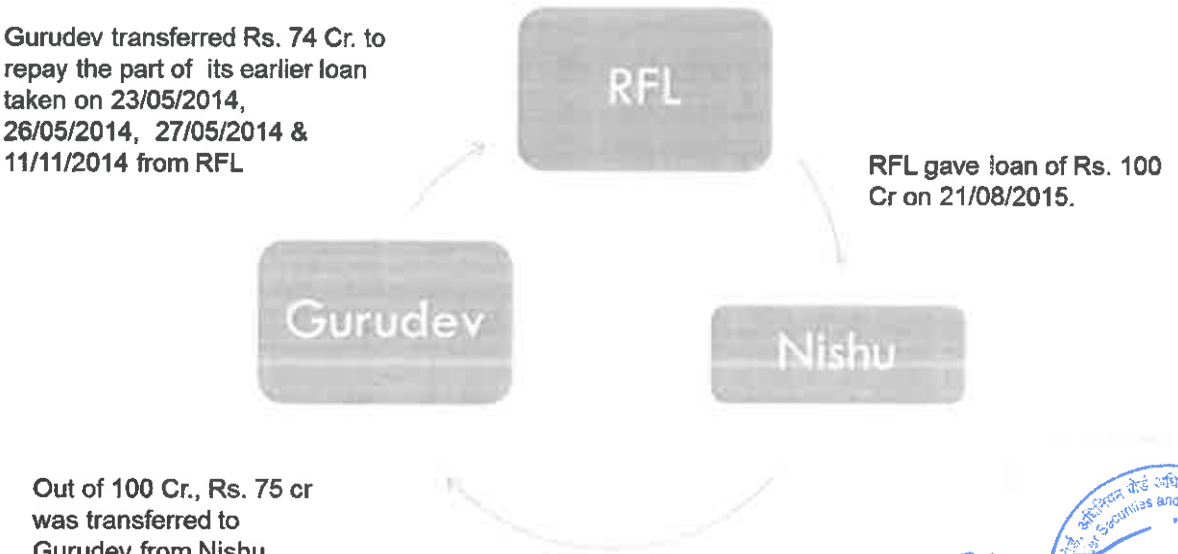
Gurudev's role as conduit entity in RFL's loan to Sridham

249. RFL had granted unsecured loan of Rs. 92.4 Crores to Sridham on February 01, 2017. Out the said loan of Rs. 92.4 Crores, Sridham transferred Rs. 26 Crores to Nishu Finlease on February

01, 2017 and Nishu Finlease utilised the said amount to repay the part of its earlier loan taken from RFL on August 21, 2015.

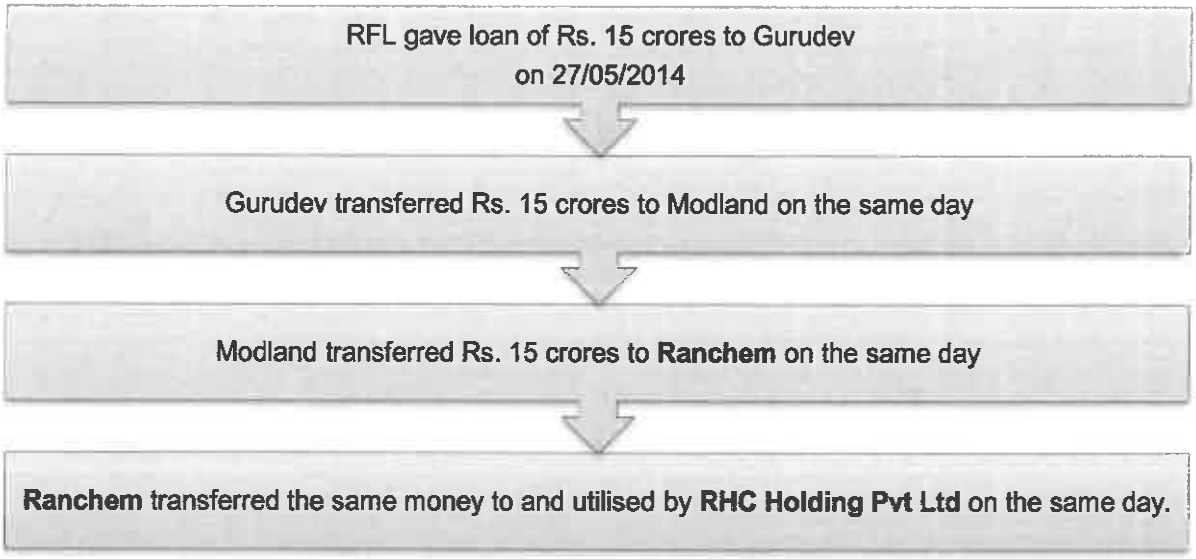


250. On August 21, 2015, RFL had granted loan of Rs. 100 Crores to Nishu Finlease. Out of the said Rs. 100 Crores, Nishu Finlease transferred an amount of Rs. 75 Crores to **Gurudev**. Out of the said Rs. 75 Crores, **Gurudev** used Rs. 74 Crores to pay off its earlier loan taken by it from RFL on May 23, 2014, May 26, 2014, May 27, 2014 and November 11, 2014.



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251. The aforesaid loan taken by Gurudev on May 27, 2014 was also analysed. The utilisation of loan is as follows-



252. In view of the same it is alleged that, Gurudev acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

253. The SCN dated February 15, 2021 was sent to Gurudev at the address mentioned on the MCA website i.e. "2764/17, 2nd Floor, Hamilton Road, Mori Gate, North Delhi, Delhi 110006", and the same was delivered on February 22, 2021.

254. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, granting opportunity of hearing on September 06, 2021 was sent to Gurudev at the aforesaid address and the same was delivered on August 16, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

255. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that all these entities have nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

256. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 17. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 17. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

257. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 17 had taken a loan of Rs. 100 Crores from RFL on May 24, 2017. As explained above, out of the loan of Rs. 100 Crores given by RFL to Gurudev, Rs. 42.8 Crores have been utilised by RHC Holding (wholly owned and controlled by Singh brothers).

258. It is also observed that Rs. 25 Crores received by Spinstar from Gurudev had been misutilized by Spinstar for part repayment of its loan of Rs. 50 Crores taken from RFL on December 18, 2015. Further, Rs. 31 Crores transferred by Artifice (received from Gurudev) to Symphony on May 24, 2017, was misutilised by Symphony to pay off its earlier loan taken by it from RFL on February 02, 2015 and December 21, 2015. These transactions have also been explained in part relating to Spinstar and Symphony.

259. I further note that in respect of loan of Rs 90 Crores granted by RFL to the Noticee No. 17 on August 25, 2015, an amount of Rs. 84.5 Crores was transferred to Neelanchal Holding which utilised the said amount for repaymet of earlier loans of Rs. 33 Crores and Rs. 50 Crores taken by Neelanchal from RFL on June 18, 2014 and June 27, 2014 respectively. Out of the said Rs. 83 Crores, Rs. 46.25 Crores was transferred to RHC Holding. Thus, the Noticee no. 17 acted as borrower entity in respect of diversion of funds of Rs. 46.25 Crores of RFL and mis-utilisation of funds of Rs. 38.25 Crores of RFL. These transactions have also been explained in part relating to A&A Capital (noticee no. 16) and Neelanchal (noticee no. 29).

260. Further, in respect of loan of Rs. 100 Crores granted by RFL to Nishu Finlease on August 21, 2015, an amount of Rs. 74 Crores was utilised by the Noticee No. 17 for repayment of earlier loans of Rs. 53 Crores, Rs. 15 Crores, Rs. 2 Crores and Rs. 4 Crores respectively taken from RFL on May 23, 2014, May 26, 2014 and May 27, 2014 and November 11, 2014. Further, the loan of Rs. 15 Crores taken on May 27, 2014 was ultimately transferred to RHC Holding. Thus, the Noticee No. 17 acted as borrower entity in diversion of funds of Rs. 15 Crores of RFL to RHC Holding and

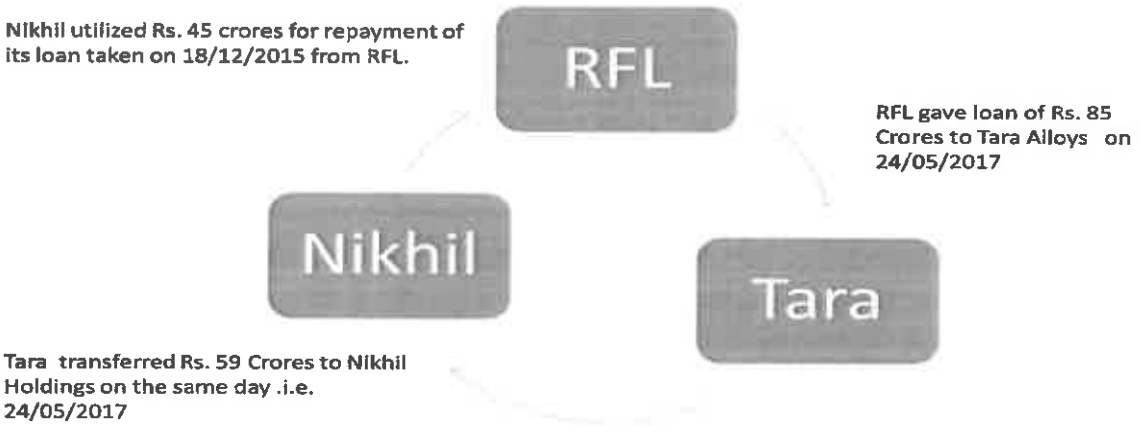
mis-utilisation of funds of Rs. 59 Crores (74 Crores-15 Crores) which was utilised by the Noticee No. 17 for repayment of earlier loans as mentioned above. These transactions have also been explained in part relating to Nishu Finlease (noticee no. 28).

261. Therefore, I conclude that the Noticee No. 17, Gurudev acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

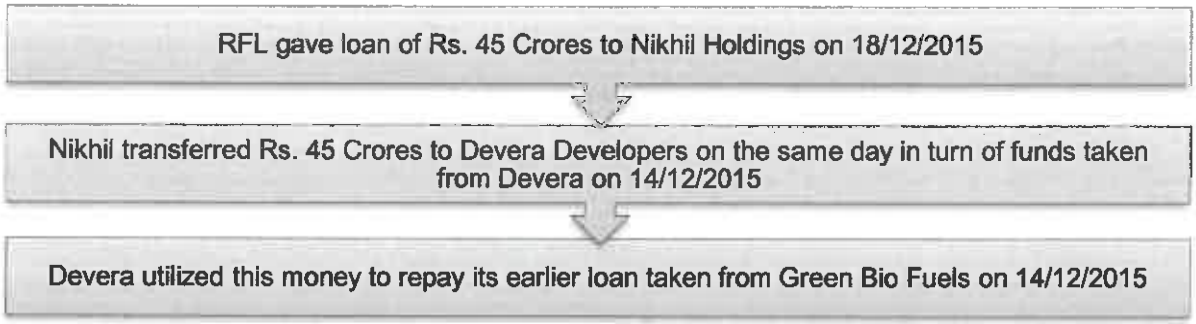
TARA ALLOYS LIMITED (NOTICEE NO. 18)

A. Sum and Substance of the Allegations

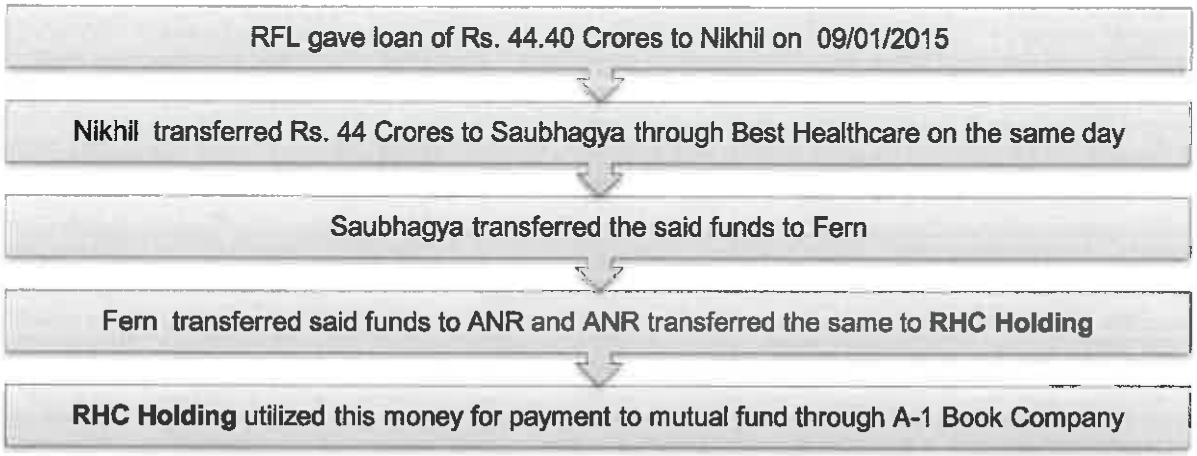
262. It is alleged that RFL had granted unsecured loan of Rs. 85 Crores to Tara Alloys Ltd. **(Tara/ Noticee No 18)** on May 24, 2017. Out the said loan of Rs. 85 Crores, Tara had transferred Rs. 59 Crores to Nikhil Holding and Rs. 26 Crores to Yashodham. Out of the aforesaid loan of Rs. 59 Crores, Nikhil Holding used Rs. 45 Crores for repayment of its earlier loan taken on December 18, 2015. The pictorial representation of the same is as under -



263. The said loan of Rs. 45 Crores taken by Nikhil Holding on December 18, 2015 was utilised by it to repay its earlier loan of Rs. 45 Crores taken from Devera Developers on December 14, 2015. Devera Developers used the said amount of Rs. 45 Crores to repay the loan of Rs. 45 Crores taken by it from Green Bio Fuels on December 14, 2015. The pictorial representation of the same is as follows-



264. The aforesaid loan of Rs. 45 Crores taken by Nikhil Holding from Devera Developers on December 14, 2015 was utilised by it to repay its earlier loan taken from RFL on January 09, 2015. The utilisation of loan taken by Nikhil Holding on January 09, 2015 is as mentioned under:



265. It is alleged that 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.

266. In view of the aforesaid, it is alleged that, the Noticee No.18, had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

267. The SCN dated February 15, 2021 was sent to Tara Alloys at the address mentioned on the MCA website i.e. *"2764/17, 2nd floor, Hamilton Road, Mori Gate, North Delhi, Delhi – 110 006"*, and the same was delivered on February 22, 2021.

268. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, granting opportunity of hearing on September 06, 2021 was sent to Tara Alloys at the aforesaid address and the same was delivered on August 16, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

269. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

270. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 18. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 18. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

271. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 18 had taken a loan of Rs. 85 Crores from RFL on May 24, 2017. As explained above, out of the loan of Rs. 85 Crores given by RFL to Tara Alloys, Rs. 44 Crores have been utilised by RHC Holding (wholly owned and controlled by Singh brothers).

272. I further note that out of the total Rs. 85, Rs. 26 Crores had been transferred by Tara Alloys to Yashodham which misutilized the said amount to repay its earlier loan taken from RFL on December 18, 2015

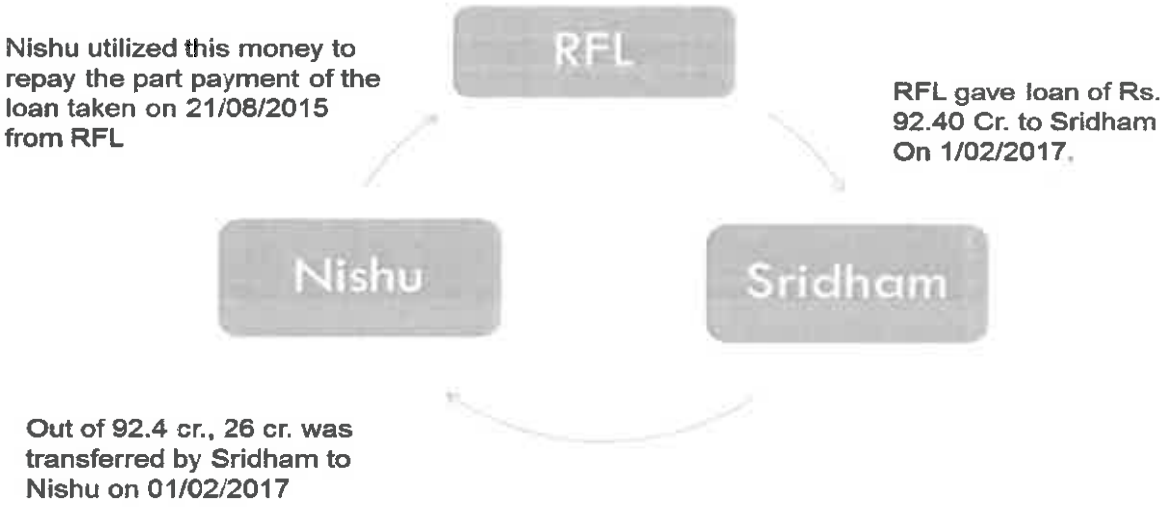
273. Therefore, I conclude that the Noticee No. 18, Tara Alloys acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.



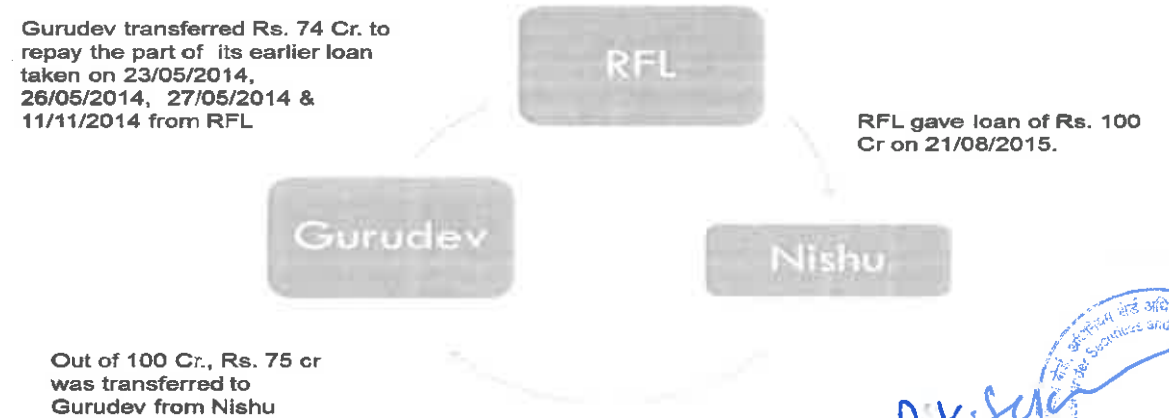
SRIDHAM DISTRIBUTORS PRIVATE LIMITED (NOTICEE NO. 19)

A. Sum and Substance of the Allegations

274. It is alleged that RFL had granted unsecured of loan of Rs. 92.4 Crores to Sridham Distributors Private Limited **(Sridham/ Noticee No. 19)** on February 01, 2017. Out the said loan of Rs. 92.4 Crores, Sridham transferred Rs. 26 Crores to Nishu Finlease on February 01, 2017 and Nishu Finlease utilised the said amount to repay the part of its earlier loan taken from RFL on August 21, 2015.

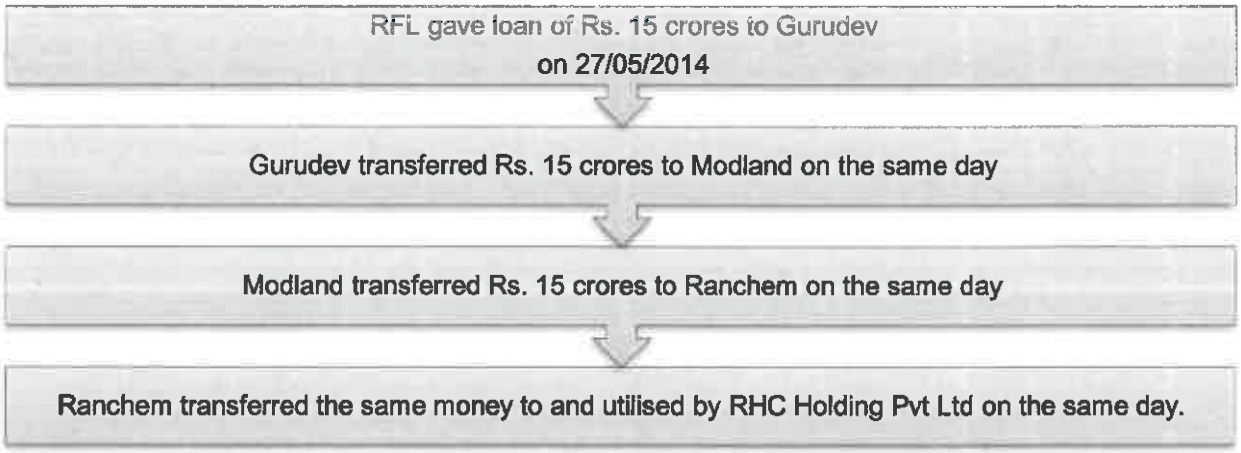


275. On August 21, 2015, RFL had granted loan of Rs. 100 Crores to Nishu Finlease. Out of the said Rs. 100 Crores, Nishu Finlease transferred an amount of Rs. 75 Crores to Gurudev. Out of the said Rs. 75 Crores, Gurudev used Rs. 74 Crores to pay off its earlier loan taken by it from RFL on May 23, 2014, May 26, 2014, May 27, 2014 and November 11, 2014.



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276. The aforesaid loan taken by Gurudev on May 27, 2014 was analysed and it was utilised in the following manner-

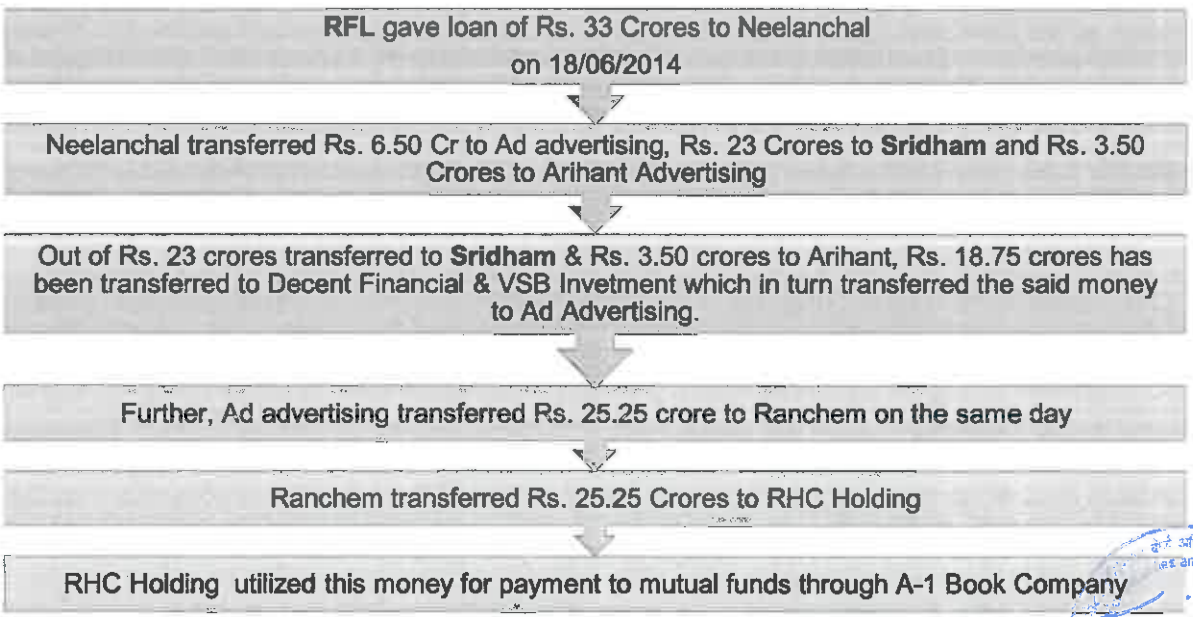


277. Thus, it is alleged that Rs. 15 Crores out of the aforesaid loan of Rs. 92.4 Crores to Sridham were ultimately used by RHC Holding.

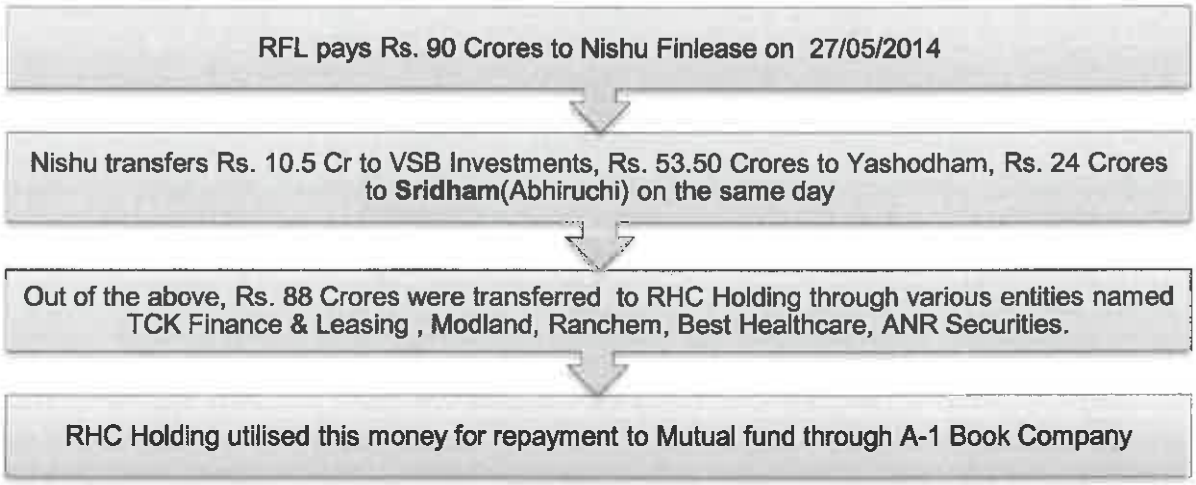
278. It is also alleged that out of the loan of Rs. 92.4 Crores granted by RFL to Sridham on February 1, 2017, Rs. 66.40 Crores was utilised by Neelanchal for repayment of earlier loans taken by the Neelanchal on August 27, 2015 and August 31, 2015 from RFL itself.

Sridham's role as conduit entity in RFL's loan to Neelanchal and Nishu Finlease

279. It is also alleged that, the Noticee No. 19 acted as conduit entity in diversion of funds in the following chain of transaction on June 18, 2014:



280. It is also alleged that, the Noticee No. 19 acted as conduit entity in diversion of funds in following chain of transaction on May 27, 2014:



281. In view of the aforesaid, in the SCN it is alleged that, the Noticee No.19, had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

282. The SCN dated February 15, 2021 was sent to Sridham at the address mentioned on the MCA website i.e. "2764/17, 2nd floor, Hamilton Road, Mori Gate, North Delhi, Delhi – 110 006", and the same was delivered on February 22, 2021.

283. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, granting opportunity of hearing on September 06, 2021 was sent to Sridham at the aforesaid address and the same was delivered on August 16, 2021. The Noticee did not appear for the hearing, nor filed any repiy.

C. Consideration of Allegations, replies and Submissions

284. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

285. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 19. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 19. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

286. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 19 had taken a loan of Rs. 92.4 Crores from RFL on February 01, 2017. As mentioned above, Rs. 15 Crores out of the aforesaid loan of Rs. 92.4 Crores were ultimately used by RHC Holding, as explained above. Further, Nishu Finlease utilised Rs.11 Crores for repayment of earlier loan. Regarding the balance amount of Rs. 66.40 Crores, it is noted that Rs. 66.40 Crores had been misutilised by Neelanchal for repayment of its earlier loans taken from RFL, as mentioned above.

287. I further note that Sridham acted as conduit entity and facilitated diversion of Rs. 18.75 Crores in respect of RFL's loan of Rs. 33 Crores granted to Neelanchal on June 18, 2014 dated and Rs. 24 Crores in RFL's loan of Rs. 90 Crores granted to Nishu Finlease on May 27, 2014 as explained above.

288. Therefore, I conclude that the Noticee No. 19, Sridham acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion of funds of REL through RFL.

DBS BANK INDIA LTD. (NOTICEE NO. 20)

A. Sum and Substance of the Allegations

289. It is alleged that the Lakshmi Vilas Bank (LVB) gave loans of Rs. 729.13 Crores to Ranchem and RHC Holding against the FDs created by RFL with LVB. The brief details of the same are as under:

(i) On November 11, 2016, RFL created FDs of Rs. 210 Crores and Rs. 190 Crores for tenure of 19 days and on January 9 2017 RFL created FDs of Rs. 150 Crores and Rs. 200 Crores

(ii) Against the aforesaid FDs, LVB gave following loans:

(a) On November 11, 2016, December 31, 2016 and January 9, 2017, LVB granted loan of Rs. 199.50 Crores, Rs. 8.84 Crores and Rs. 332.5 Crores respectively to RHC Holding (wholly owned and controlled by Singh brothers).

(b) On November 11, 2016 and December 31, 2016, LVB granted loan of Rs. 174.80 Crores and Rs. 13.49 Crores respectively to Ranchem. The said funds were also transferred to RHC Holding, (wholly owned and controlled by Singh brothers).

290. Hence, it is alleged that the beneficiary of the funds of RFL to the tune of Rs 729.13 crores was RHC Holding (wholly owned and controlled by Singh brothers). In the absence of adequate documentation in support of express authorisation by RFL in respect of creating charge/security/lien on FDs for granting aforesaid loans to RHC Holding and Ranchem, it is alleged that LVB aided the erstwhile promoters of RFL to divert funds for the benefit of RHC Holding (wholly owned and controlled by Singh brothers).

291. In view of the aforesaid, in the SCN it is alleged that LVB acted as conduit entity in aiding the erstwhile promoters of RFL in diversion of funds of REL thorugh RFL for the ultimate benefit of erstwhile prmoters of RFL/REL.

292. Pursuant the amalgamation of LVB with DBS Bank India Limited (DBIL/the Notice No. 20), vide the Lakshmi Vilas Bank (Amalgamation with DBS Bank India Limited) Scheme, 2020 (Scheme of Amalgamation of LVB with DBIS), the competent authority, vide order dated February 18, 2022 approved the continuation of the aforesaid proceedings (initiated against LVB) against DBIL.

B. Service of SCN and subsequent replies

293. The SCN addressed to LVB was delivered on February 20, 2021. In response to the said SCN, the Noticee No. 20 vide e-mail dated March 15, 2021 informed that in pursuance of Scheme of Amalgamation of LVB with DBIL dated November 25, 2020, LVB has amalgamated with the Noticee No. 20 and LVB has dissolved. Thereafter, the Noticee No. 20 filed an interim reply dated March 31, 2021 to the SCN. Vide letter dated August 12, 2021, an opportunity of hearing was granted on August 27, 2021, which was adjourned to August 31, 2021 on request of the Noticee

No. 20. The said opportunity of hearing was availed by the Noticee No. 20 on webex through authorized representative and the hearing was partly concluded. Thereafter, the Noticee No. 20 filed additional submission dated September 07, 2021 reiterating the prayer to drop DBIL from the proceedings and that if SEBI is not inclined to accept the preliminary submissions then the documents sought in the letter dated March 31, 2021 be provided to enable DBIL to file reply on merits. Pursuant to the same, vide letter/e-mail dated September 16, 2021 the documents relied on in the SCN were provided and it was also informed that all the the contentions reaised by the Noticee No. 20 are kept open. Thereafter, vide letter dated October 1, 2021, the Noticee No. 20 again pressed for deciding preliminary issue of maintainability of proceedings against the Noticee No. 20. Pursuant to the same, vide record of proceedings and e-mail dated October 4, 2021, reiterating that all the conentions of the Noticee No. 20 are kept open, a last chance was given to the Noticee No. 20 to file reply on merits. The Noticee No. 20 preferred an appeal before the Hon'ble SAT against the said record of proceedings wherein vide order dated December 23, 2021, Hon'ble SAT dismissed the said appeal, *inter alia* directing the Adjudicating Officer to consider the objections raised by the Noticee No. 20 at the time when the matter is finally decided. In view of the said order, the Noticee No. 20 filed reply on merits vide letter dated February 14, 2022.

294. Pursuant to amalgamation of LVB with the Noticee No. 20, the Competent Authority vide order dated February 18, 2022 approved the continuation of the instant adjudication proceedings (initiated against LVB) against the Noticee No. 20. Thereafter, a Corrigendum to SCN dated March 24, 2022 was issued to the Noticee No. 20. In response to the said Corrigendum to SCN, the Noticee No. 20 filed reply dated April 29, 2022. The Noticee No. 20 was granted opportunities of hearing on June 8, 2022, June 16, 2022 and June 22, 2022 through webex wherein the Noticee No. 20 was duly represented by its authorized representative and the hearing was concluded. In its replies and in the hearings, the Noticee No. 20 made submissions *inter alia* as under:

(i) In respect of the Corrigendum to SCN, the Noticee No. 20 has contended that on perusal of the relevant orders/documents provided by SEBI, it is seen that nowhere it is stated that the Competent Authority of SEBI has prima facie satisfied that there are sufficient grounds to continue the adjudication proceedings initiated against LVB by substituting the name of DBIL and continue to inquire and adjudicate the alleged violations against DBIL.

(ii) The Corrigendum to SCN is ulta vires the Adjudication Rules and power of the AO and is illegal, void ab initio and non-est.

(iii) The amalgamation of LVB with the Noticee No. 20 has been sanctioned by the Central Government of India under Section 45(7) of the Banking Regulation Act, 1949 (BR Act). The said amalgamation was necessitated by the precarious financial condition of LVB.

(iv) On a plain reading of Clause 7(2) of the Scheme, it is clear and unambiguous that LVB shall cease to exist by operation of the Scheme. The RBI's and Central Government's intention that LVB would be dissolved and would cease to exist by and under the Scheme is also evident from the proviso to Clause 3(3) of the Scheme which provides for proceedings to continue against officials and employees of LVB.

(v) The SCN issued to LVB is void ab initio. In this regard, the Noticee No. 20 has referred to various case laws such as the decision of Hon'ble Supreme Court in Pr. Commissioner of Income Tax Vs. Maruti Suzuki India Limited [2019 SCC OnLine SC 928], the decision of the Hon'ble Delhi High Court in Spice Entertainment Ltd. Vs. Commissioner of Service Tax [2011 SCC OnLine Del 3210] and in Nicholas Piramal Vs. S. Sundaranayagam Cri.M.C.No. 5392 of 2005 and some orders of the Adjudicating Offficer, SEBI wherein the adjudication proceedings, against the individuals who have died or companies which have been wound, have been abated.

(vi) A Corrigendum issued to an illegal and abated show cause notice and/or action pursuant thereto, would also be illegal, defective, void ab initio and non-est in law. Admittedly there is no act or omission of the Noticee No. 20 which is alleged to amount to any offence or violation.

(vii) The penalty proceedings by AOs are in the nature of personal actions which abate on the death of the person involved. A person, in law, can be a individual or a company. When a company "ceases to exist" it is equivalent to the death of an individual.

(viii) The amalgamation between LVB and the Noticee No. 20 was not a voluntary amalgamation between two companies for mutual commercial benefit and profit. On the other hand, as is clear from the preamble of the Scheme itself and the Press Release of the RBI, the present amalgamation was effected by RBI under Section 45 of the BR Act which empowers RBI to amalgamate two banking companies in the public interest, in the interest of depositors, etc.

(ix) The Noticee No. 20, at the instance of the RBI and Central Government, has come to the rescue of LVB's depositors, creditors, etc. by utilising its funds, net owrth, balance sheet, infusing an additional Rs. 2500 Crores etc. It would therefor be a travesty of justice to seek to continue the proceedings against the Noticee No. 20 or pass any order against the Noticee No. 20.

(x) RBI had also issued an SCN to LVB for various violations. The said RBI SCN was apparently issued to LVB long before the aforesaid amalgamation and LVB had even filed its reply to the same. However, RBI has closed and dropped the said proceedings on the ground that LVB stands amalgamated into the Noticee No. 20 as per the aforesaid scheme.

(xi) In view of the Scheme of amalgamation, certain of LVB's financial liabilities which existed prior to amalgamation may have to be borne by the Noticee No. 20. But the Noticee No. 20 did not agree to step in and rescue LVB to suffer loss of funds to regulatory penalties or to suffer having any regulatory orders passed against it for the previous alleged actions of LVB. In this regard, the Noticee No. 20 has referred to the Judgment dated December 31, 2018 of the Hon'ble Hyderabad High Court in the matter of Satyam Computer Services Limited Vs. Directorate of Enforcement (Writ Petition No. 37487 of 2012).

(xii) Therefore, the present proceedings be dropped and closed against the Noticee No.20.Without prejudice to the same, the Noticee No. 20 filed the reply on merits as under:

(a) The SCN does not state the basis of allegation made against LVB in respect of LVB being a conduit entity in diversion of funds of RFL. Without prejudice to the same, the allegations against LVB are based on the aspect of LVB appropriating FDs of RFL for no repayment of loans gratned to tow group companies of RFL, viz. RHC Holding and Ranchem.

(b) The Ld. WTM's Order dated September 11, 2019 recorded that, "....I note that the dispute as to whether LVB had illegally adjusted the same or otherwise is pending before the Hon'ble High Court of Delhi. At this stage, it does not seem appropriate for me to record any finding om respect of the same.....Accordingly, both RFL and LVB may independently pursue remedies available to them under law, in respect of this dispute". The said finding is binding on SEBI and since it was correctly recorded that the matter is sub judice before the Hon'ble High Court of Delhi, the present SCN cannot and should not be pursued against LVB.

(c) In Ld. WTM's Order dated November 12, 2020, no directions were passed against LVB and the said order related only to converting the previous proceedings into adjudication proceedings. Therefore, the present SCN to the extent it is issed to LVB, is contrary to the said direction of WTM.

(d) The entire foundation of the SCN as against LVB appears to be only the incorrect allegation that LVB had failed to procure 'adequate documentation' from RFL in support of the creation of the security over the FD's of RFL.

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(e) The PFUTP Regulations apply only in relation to listed companies. LVB did not deal with REL at all. It is not alleged that LVB indulged in any of the securities laws transactions.

(f) LVB's role was only lending funds as part of its usual banking business. The loans were admittedly given to RHC and Ranchem against the security of FDs placed by their group company, RFL, which is now being sought to be disputed. The fact that the said loans were sought by the said group companies and advanced to them by LVB and the fact that they defaulted in repayment, is not disputed. It is not disputed that LVB was entitled to recover said loan.

(g) The FDs created by RFL were equal to the amount of loan ganted by LVB on the said FDs. LVB had sent SMS and e-mail to RFL for creation of lien on FDs in respect of loans. The post dated cheques issud by RFL were forwarded to LVB by RHC Holding and Ranchem. The FDs and loans were rolled over for 27 times. Since RFL did not repay the amount LVB foreclosed the loan.

(h) The undisputed sequence of events and contemporaneous undisputed documentary evidence and the findings thereon in the SEBI's investigation are completely in favour of LVB and prove that the security over the FD's was in fact actually and legitimately created. It is denied that there was no adequate documentation for the same.

(i) Without prejudice to above, even if for the sake of argument one were to assume that the documentation was inadequate, it is inconceivable as to how that can lead to any allegation or inference that LVB "aided" the erstwhile promoters of RFL to divert funds from RFL. It is not even alleged that LVB was ever aware of any intention of the borrowers/erstwhile promoters to divert any funds.

C. <u>Consideration of Allegations, Replies and Submissions</u>

295. In respct of SCN issued to LVB, the Noticee No. 20 has relied upon the decision of the *Hon'ble Supreme Court in Pr. Commissioner of Income Tax Vs. Maruti Suzuki India Limited [2019 SCC OnLine SC 928],* the decision of the Hon'ble Delhi High Court *in Spice Entertainment Ltd. Vs. Commissioner of Service Tax [2011 SCC OnLine Del 3210]* and *in Nicholas Piramal Vs. S. Sundaranayagam Cri.M.C.No. 5392 of 2005 and* other orders of the Adjudicating Offficer, SEBI. The inferences that can be *inter alia* drawn from the said case laws is that, once an individual dies or a coproate entity ceases to exist the personal actions against them abates. In fact, in the matter of *Maruti Suzuki (Supra),* the Hon'ble Supreme Court was dealing with the situation where the SCN was issued to the entity which was amalgamated with another entity, but the order was passed

against the entity with which the previous entity was amalgamated. This position was found fault by the Hon'ble Supreme Court in the said case. However, in the present matter, after taking note of the amalgamation of LVB with DBIL, a notice in the form of Corrigendum was issued to the amalgamated entity namely DBIL. Therefore, there is no illegality in the present proceedings.

296. As regards the SCN issued to LVB, vide Corrigendum to Communication of the Order appointing Adjudicating officer, dated March 11, 2022, pursuant to the amalgamation of LVB with the Noticee No. 20, the Competent authority had approved the continuation of proceeding (initiated against LVB) against the Noticee No. 20. The same essentially led to substitution of LVB with Noticee No. 20 in the proceedings initiated vide SCN dated February 15, 2021 by virtue of amalgamation of LVB into DBIL. Hence, the contention in respect of issuance of SCN to LVB is of no relevance.

297. In respect of Corrigendum to SCN dated March 24, 2022 issued to the Noticee No. 20, reference is made to clause 3(3) of the Scheme of Amalgamation of LVB with DBIL which provides that:

> *"(3) If on the appointed date, **any cause of action, suit, decrees, recovery certificates, appeals or other proceedings of whatever nature is pending by or against the transferor bank before any court or tribunal or any other authority (including for the avoidance of doubt, an arbitral tribunal), the same shall not abate, be discontinued or be in any way prejudicially affected, but shall, subject to the other provisions of this Scheme, be prosecuted and enforced by or against the transferee bank:**....."*

298. The aforesaid clause unequivocally and unambiguously provides that any proceedings of whatever nature pending against LVB shall not abate or discontinue and shall be enforced against DBIL i.e the Noticee No. 20. If such a clause were not there or such a clause would have been drafted in different manner so as to save DBIL from any proceedings, there may not be any occasion to continue the proceedings against the Noticee no. 20. Further, the aforesaid clause uses term, *"any cause of action", "other proceedings of whatever nature is pending by or against the transferor bank", "shall note abate or be discontinued"*. In this connection, I note that the cause of action took place during the period 2016-2017 and that SEBI commenced investigation and called for information from the then LVB way back in 2018 onwards on multiple occasions. Thereafter, the current adjudication proceedings against LVB were approved by the competent authority on October 6, 2020 which was before the scheme of amalgamation got sanctioned by the Central Government. Therefore, since the instant adjudication proceedings for the cause of action already arose, were

pending even before the scheme of amalgamation, the same are continued against the Noticee No. 20.

299. In the Corrigendum to SCN dated March 24, 2022, it is mentioned that *"the Competent Authority of SEBI has prima facie satisfied that there are sufficient grounds to continue the adjudication proceedings initiated against LVB by substituting the name of DBIL and continue to inquire and adjudicate the alleged violations against DBIL".* The Noticee No. 20 has contended that the said statement is not mentioned in any of the documents provided by SEBI. In this regard, reference is made to the Corrigendum to Communication of the Order appointing Adjudicating Officer dated March 11, 2022, which was provided to the Noticee No. 20, wherein it is stated that:

> *"(2) Whereas it, prima facie, appeared to the Competent Authority that Lakshmi Vilas Bank have violated Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4 (1) of the SEBI (PFUTP) Regulations, 2003 and appointed Shri Amit Pradhan, Chief General manager as Adjudicating officer to inquire into and adjudicate the alleged violation and the same was communicated to the Adjudicating Officer. Subsequently, the matter was reassigned to Shri G. Ramar, Chief General manager and thereafter, the competent authority vide order dated July 16, 2021 have transferred the matter to Shri D.V. Sekhar, Chief General Manger as Adjudicating Officer and the same was communicated to the Adjudicating Officer vide communication of order appointing Adjudicating Officer dated July 20, 2021;*
>
> *(3) Whereas, pursuant to the amalgamation of Lakshmi Vilas Bank with DBS Bank India Limited, the Whole Time Member, vide order dated February 18, 2022 has approved the continuation of aforesaid proceedings against DBS Bank India Limited."*

300. The SCN dated February 15, 2021 made allegations against LVB in aiding the erstwhile promoters in diversion of funds of REL through RFL and the extract of the Investigation Report mentioned the relevant transactions involving using of FDs of RFL for granting loans to RHC Holding and Ranchem which were ultimately utilised by RHC Holding (wholly owned and controlled by Singh brothers). Thus, the SCN dated February 15, 2021 clearly mentioned the allegations against LVB.

301. Since LVB was amalgamated into the Noticee No. 20, the proceedings against LVB were continued against the Noticee No. 20. The same is also mentioned in the Corrigendum to SCN dated March 11, 2022 which was provided to the Noticee No. 20. Therefore, the contention of the Noticee No. 20 in respect of the statement that, *"the Competent Authority of SEBI has prima facie satisfied that there are sufficient grounds to continue the adjudication proceedings initiated against LVB by substituting the name of DBIL and continue to inquire and adjudicate the alleged violations against DBIL"* is rejected.

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302. In view of the aforesaid, the instant adjudication proceeding under the SCN and Corrigendum to SCN are maintainable and continued against the Noticee No. 20.

303. The Noticee No. 20 has referred to the Ld. WTM's Order dated September 11, 2019 and has contended that in the said order WTM refused to record any finding in respect of adjustment of FDs of RFL by LVB against the loans given to erstwhile promoter of REL/RFL in view of the dispute regarding the same pending before the Hon'ble Delhi High Court. The Noticee No. 20 has contended that, the said findings are binding on SEBI. In this regard, in the said order, Ld. WTM at para 22, had observed that, *"At this stage, it does not seem appropriate for me to record any finding in respect of the same.* ***However, since this may have a material bearing on the finances of RFL, I deem it fit to direct the ongoing investigation by SEBI to look into the said issue. Further, I also hereby clarify that the prima facie findings in the Interim Order shall not be construed as a conclusive pronouncement of SEBI on the legality or otherwise of the adjustment of said FDs by LVB. ..."***. Hence, the said order itself directed the investigation by SEBI to look into the issue of adjustment of FDs by LVB. After the said order, an investigation was conducted by SEBI and role of LVB in respect of FDs of RFL was clearly brought out. Therefore, reliance of the Noticee No. 20 on the Ld. WTM's Order dated September 11, 2019 is misplaced.

304. The Noticee Nos. 20 has also relied on the Ld. WTM order dated November 12, 2020 wherein the Ld. WTM pursuant to completion of investigation in the matter and upon consideration of facts and circumstances of the case in totality, substituted the ongoing proceedings under Section 11/11B with adjudication proceedings under appropriate legal provisions against the 16 entities mentioned in the order for their alleged role in the diversion of funds and have contended they were not even made necessary party in the said order.

305. In this regard, I note that SEBI had passed an ad interim *ex-parte* order dated March 14, 2019 read with corrigendum dated April 18,2019 in the matter of REL against various entities including 16 Noticees mentioned in the order dated November 12, 2020 which is relied upon by the Noticee No. 20 for the prima facie involvement of certain entities in diversion of funds from the books of RFL, for the utilization of erstwhile promoters and erstwhile promoter group entities of REL. The interim Order was confirmed vide order dated September 11,2019 (Confirmatory order) subject to certain modifications. The interim and confirmatory order was only limited to the facts and circumstances of the cases against the noticee mentioned in the said order and against which

proceedings under Section 11/11B were initiated during pendency of the investigation. I note from the Interim Order dated March 14, 2019 that the ld. WTM had observed that, "*a detailed investigation of the fund diversion in this case is necessary to find out the role of each entity in the alleged routing of funds. However, pending detailed investigation, a remedial Order is required to be taken by way of an interim ex-parte order to protect the interests of shareholders of REL as funds to the tune of Rs. 2315.09Crores(approx.) have moved out from RFL for the ultimate benefit of erstwhile erstwhile promoters of REL*". Pursuant to completion of investigation in the matter and upon reconsideration of case in totality, the Ld. WTM in order dated November 12, 2020 found it appropriate to substitute the proceedings under Section 11/11B of the SEBI Act against the 16 entities with adjudication proceedings under appropriate legal provisions, for their alleged role in the diversion of funds.

306. Thus, the reliance of the Noticee No. 20 on the said Order dated November 12,2020 is misplaced and untenable as the present adjudication proceeding against the Noticee No. 20 is not the substituted proceedings but fresh proceedings initiated on the completion of investigation in the matter. The present adjudication proceeding is independent in nature under the appropriate legal provisions of the laws.

307. Having dealt with the contentions of the Noticee No. 20 regarding maintainability of proceedings, I will now deal with the merits of the case. It is allegd that, the then LVB had aided the erstwhile promoters of RFL/REL in diversion of fund of RFL. In this regard, from the material available on record, it is seen that:

(i) Mr. Hemant Dhingra (Director-finance of RHC Holding) addressed an e-mail to the then LVB on November 10, 2016 requesting for a temporary loan of Rs. 375 Crores for a period of 19 days to RHC Holding and Ranchem. In the said e-mail, it was also *inter alia* mentioned that for the said purpose, one of its group companies will be creating a Fixed Deposit of 105% of the aggregate loan value (i.e. 400 Crores Approx.) along with fully discharged Fixed Deposit receipt and undated signed cheques for remittance of maturity proceeds for settlement of loan in case the said loan is not repaid by the borrower companies on due date.

(ii) On November 11, 2016, RFL sent a letter to the then LVB for creation of FDs. The said letter was forwarded by an employee of RFL to Mr. Hemant Dhingra who forwarded the said letter for creation of FDs to the then LVB on November 11, 2016.

(iii) As per the email and agreement, FDs were opened by RFL and two post-dated cheques dated 29.12.2016 were also issued in favour of LVB for Rs. 1,91,01,37,672/- and Rs.

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2,11,12,04,795/- bearing cheque nos. 000009 and 000010 and drawn on Lakshmi Vilas Bank, Janpath Branch. A scan copy of the cheques was also shared by email dated 11.11.2016 from RHC and Ranchem to LVB.

(iv) On November 11, 2016, RHC Holding and Ranchem availed the loans of Rs. 199.50 Crores and Rs. 174.80 Crores from the then LVB. The loan taken by Ranchem was also transferred to RHC Holding. The said applications clearly mentioned about the details of the FD's opened by RFL as security for the loans availed by RHC Holding and Ranchem.

(v) The then LVB vide e-mail dated December 16, 2016 as well as mobile SMS stated to have informed RFL that the fixed deposits are kept as security for the deposit loan extended to RHC Holding and Ranchem.

(vi) On January 7, 2017, vide an e-mail to the then LVB, Mr. Hemant Dhingra sought additional limit of Rs. 400 Crores against fixed deposit created by a group company. On January 9, 2017, RFL opened two more fixed deposits of Rs. 350 Crores against which, RHC Holding availed another loan of Rs. 332.50 Crores. LVB sent intimation regarding creation of lien on the FDs of RFL in form of SMS.

(vii) After opening of the aforesaid fixed deposits, the original fixed deposit receipts which are issued by the Bank were kept in the custody of the Bank and were continued to be kept as security so long the FDs were being renewed from time to time to commensurate with roll over of the short-term loans, for the purpose of securing the loans of group companies, i.e., RHC and Ranchem.

308. From the aforesaid facts, it is found that there were no clear instructions from RFL to the then LVB for using the FDs of RFL in respect of loans granted to RHC Holding, and Ranchem. It is contended that RFL was informed about the creation of lien on FDs of RFL for loans granted to RHC Holding and Ranchem through e-mails and mobile SMS. Apart from e-mail dated December 16, 2016 (that too after a gap of 35 days from the date of granting of loan) and SMS no other document has been produced in this regard.

309. Further, mobile SMS simply records *"Lien has been marked on your deposit.....for advanced extended".* The said mobile SMS does not specifically mention that the lien on FDs of RFL has been created against the loans granted to RHC Holding and Ranchem. On the date of loan i.e November 11, 2016, the intimation of creating lien on FDs to RFL was only made through mobile SMS which was not a specific intimation regrding granting loans to RHC Holding and Ranchem. It

is only on December 16, 2016 i.e. almost more than one month after granting loan, the then LVB sent an e-mail intimation to RFL regarding creation of lien on FDs of RFL.

310. I note that no material has come on record which shows that there was an actual legal document executed between the then LVB and RFL authorising LVB to create charge or lien on FDs of RFL. Even a formal instruction from RFL instructing LVB to create lien on FDs is absent and not produced by the Noticee No. 20. The letter of RFL requesting LVB to create FD does not mention that the said FDs are to be utilised for the purpose of granting loans to RHC Holding and Ranchem. It is also contended that RFL had forwarded FD creation letter and scanned copy of cheques to RHC Holding and Ranchem which forwarded the same to the then LVB for taking loan. In this regard, the record shows that RHC Holding and Ranchem are not part of the formal communication of RFL with the then LVB for creating FDs. Further, the said forwarding of FD creation letter and scanned copy of cheques by RHC Holding and Ranchem cannot be considered as an authorisation from RFL to the then LVB for granting lonas on the basis of FDs as there was no explicit instruction from RFL for granting loans against FDs.

311. From the letter dated October 11, 2019 of the then LVB, it submitted that the then LVB had rolled over loans given to RHC Holding and Ranchem and also the FDs of RFL. In the hearing, it was submitted that the FDs and loans were rolled over 27 times. It is not clear that when RFL had never instructed the then LVB to give loans to RHC Holding and Ranchem on the FDs created by RFL, then why whould the then LVB rolled over loans as well as FDs for multiple instances, that too without RFL executing any document extending charge or lien on FDs. RFL being a public limited company had to specifically authorise by a resolution to create charge/lien on FDs for the loans availed by its group companies. However, no such sort of document has been furnished by the Noticee No. 20.

312. LVB had adjusted the FDs of RFL against the loans of RHC Holding and Ranchem in July, 2017. In the letter dated October 11, 2019 of the then LVB, it is mentioned that:

(i) On September 1, 2017, RFL issued legal notice on the then LVB against the action of foreclosure of fixed deposits. On September 7, 2017, a settlement meeting was held between LVB and officials of Religare group companies in which it was assured that RHC and Ranchem will discharge their liability on their own and therefore there is no need for realising the security by appropriation of fixed deposits. It was also assured that RFL would execute additional documentation formalities.

(ii) On September 13, 2017, the then LVB agreed to reinstate the FDs which were liquidated to settle the outstanding amounts and on September 21, 2017 the then LVB again liquidated the FDs as legal notice was not withdrawn.

(iii) On September 27, 2017, RFL again issued another legal notice challenging the liquidation of FDs and disputing the creation of security. On November 6, 2017, RFL again approached LVB for settlement. As part-performance of the settlement terms arrived thereat, RFL's advocates withdrew the legal notices.

(iv) On December 6, 2017, the then LVB sent letters to RHC and Ranchem seeking execution of additional documentation and informing the total outstanding amount due and payable and a letter was also sent to RFL on December 13, 2017 seeking execution of additional documentation in respect of the deposit loans of RHC and Ranchem. On February 9, 2018, the then LVB again sent similar letters to RHC Holding, Ranchem and RFL.

(v) On February 12, 2018, the then LVB once again called upon RHC Holding and Ranchem to repay the outstanding amounts failing which the bank would be constrained to take appropriate steps to recover the same and the copy was addressed to RFL.

(vi) On February 16, 2018, RFL again sent another legal notice to reviving the earlier legal notices, stating that the FDs were never intended to secure the loans of RHC and Ranchem.

(vii) On February 20, 2018, as a result of default and breach of settlement terms, despite various notices, LVB foreclosed and appropriated the FDs towards outstanding loan amounts.

313. From the aforesaid appreciation of facts, it is clear that:

(i) The fact remains that there are no documents available on record or submitted by the then LVB or the Noticee No. 20 which proves that there was a specific instruction from RFL for creation of charge/lien/security on FDs against the loans granted to RHC Holding and Ranchem nor any board resolution of RFL authorising the creation of charge/lien/security onFDs against the loans granted to RHC Holding and Ranchem.

(ii) All the correspondences from RFL pertain to creation of FDs on various dates and crediting of amounts on the date of maturity. No document has come on record which shows that RFL had authorised the then LVB to create charge/lien/security on FDs against the loans granted to RHC Holding and Ranchem.

(iii) In the loan application form submitted by RHC Holding & Ranchem to then LVB, there is a provision for signature of the depositor whose FDs are sought to be pledged/charged. The

said column in the applications are not filled and left as blank and the then LVB never thought fit to insist the authorised representative of RFL to sign in the said column.

(iv) None of the FDs were discharged by RFL for creation of charge/lien/security on FDs. The then LVB or the Noticee No. 20 could not furnish any document showing that the FDs are duly discharged for creation of charge/lien/security on FDs.

(v) Even during so called settlement meetings between the then LVB and RFL, the then LVB did not thought fit to insist signature of the authorised representative of RFL for pledge of FDs.

(vi) Even though RHC Holding and Ranchem represented that a group company will create FDs in respect of loans granted to them, fact remains that RFL is separate legal entity and there was no instruction from RFL regarding the creation of charge/lien/security on FDs.

(vii) If the loans given on FDs of RFL were given after carrying out adequate documentation, what was the need of the then LVB approaching RFL time and again for executing documents and what was the need of liquidating and reinstating the FDs on various occasssions. A bonafide doubt may arise to an ordinary common man as to why would a bank give such huge loans on more than one occasion without executing necessary documents at time of giving the loan or at the time of rolling over or at time of creating a charge/lien on FDs.

314. All the aforesaid factors and circumstances unequivocally prove that the then LVB had granted loans to RHC Holding and Ranchem without adequate documents. This was possible only if the then LVB was hand in glove with the erstwhile promoters of RFL to syphon of the money of RFL for the benefit of erstwhile promoters of RFL.

315. In view of the aforesaid, I am inclined to conclude that the then LVB had aided the erstwhile promoters of RFL in diversion of funds of Rs. 729.13 Crores of RFL by mis-utilising the FDs of RFL for granting loans to RHC Holding and Ranchem. The Noticee No. 20 has contended that the then LVB had not indulged in the securities transactions and only dealt with RHC Holding, Ranchem and RFL which are unlisted. In this regard, I note that Regulation 3 (d) of the PFUTP Regulations, 2003 prohibits any person from engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange. Further, as per Regulation 4(1) of the PFUTP Regulations, 2003 no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets. Explanation to Regulaiton 4(1) of the PFUTP Regulaitons *inter alia* provides that any act of diversion of assets or earning of company whose securities are listed on stock exchange 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. As on March 31, 2018, REL was holding 85.64% shareholding in RFL which contributed to 96.3% of the consolidated net worth of REL and 57% of the consolidated net-worth of REL. Therefore, when the then LVB had aided the erstwhile promoters of RFL in mis-utilsing the FDs to the extent of Rs. 729.13 Crores of RFL for diverting funds to the RHC Holding and Ranchem (wholly owned and controlled by Singh brothers), the same had directly affected and impacted the financials of REL which affects the price of the securities of REL and its impact would certainly fall back on the investors of REL. The information in respect of LVB granting loans to RHC Holding and Ranchem which were ultimately utilised by RHC Holding (wholly owned and controlled by Singh brothers) against FDs of RFL without authorisation from RFL was disclosed to the public only in 2018, when RFL initiated action against LVB for adjusting FDs of RFL against the loans granted to RHC Holding and Ranchem. If the said information were disclosed in November-December 2016 and January 2017 when the misappropriation took place, the same would have definitely affected the price of shares of REL. Thus, the act of the then LVB led to indirect manipulation of price of shares of REL and also operated as fraud and deceit on the investors of REL and thus, led to violation of Regulation 3(d) and 4(1) of the PFUTP Regulations.

316. Having concluded the violations of securities laws by the then LVB as above, I am conscious of the fact that the litigation between LVB and RFL is pending before the Hon'ble Delhi High Court and make it amply clear that above observations and conclusions are based on the material available on record and only for the purpose of adjudicating the violations in the present proceedings and shall not be used or affect the suit pending before the Hon'ble Delhi High Court.

317. After giving the finding that the then LVB had violated the securities laws as above, whether penalty can be imposed on DBIL with which LVB got amalgamated. Section 15J of the SEBI Act, 1992 provides for factors to be taken into account by the Adjudicating Officer while imposing penalty. The Hon'ble Supreme Court vide order dated February 28, 2019 passed in *Adjudicating Officer, Securities and Exchange Board of India Vs. Bhavesh Pabari (CA No. 11311 of 2013),* had *inter alia* held that conditions stipulated in clauses (a), (b) and (c) of Section 15-J are not exhaustive and in the given facts of a case, there can be circumstances beyond those enumerated by clauses (a), (b) and (c) of Section 15-J which can be taken note of by the Adjudicating Officer while determining the quantum of penalty.

318. The violaitons were committed by the then LVB which does not exist as on date, as LVB has been amalgamated into DBIL vide a scheme of amalgamation which was sanctioned by the Central Government under section 45(2) of the Banking Regulations Act, 1949. The said amalgamation of LVB with the Noticee No. 20 was not voluntary and was pursuant to powers exercised by the Central Government under section 45(2) of the Banking Regulaiton Act, 1949.

319. Even though clause 3(3) of the Scheme of Amalgamation provides that proceedings or cause of action initiated against LVB may continue against the Noticee No. 20, as contended by the Noticee No. 20 the Scheme of Amalgamtion was never intended to penalise DBIL for wrongful actions, if any, of LVB. Penalising DBIL for the violations done by the then LVB may render grave injustice on the Noticee No. 20/DBIL. In this regard, reference is made to the third para of preface to the Scheme of Amalgamation of LVB with DBIL:

> *".....the Reserve Bank, being satisfied that in the public interest and in the interest of the depositors so to do, in exercise of the powers conferred by sub-section (4) of section 45 of the said Act, has prepared a Scheme for amalgamation of the Lakshmi Vilas Bank Limited with the DBS Bank India Limited;*
>
> *And whereas, the Reserve Bank, after having sent the said Scheme in draft to the banks concerned in accordance with the provisions of sub-section (6) of the said section and after having considered the suggestions and objections received in regard to the said Scheme, had forwarded it to the Central Government for sanction.*
>
> *NOW, therefore, in exercise of the powers conferred by sub-section (7) of section 45 of the said Act, the Central Government hereby sanctions the following Scheme, subject to the terms and conditions hereafter mentioned....."*

320. From the above, it is clear that the scheme of amalgamation was primarily sanctioned in the public interest and interest of depositors. The said scheme, whereby the Noticee No. 20 has been made a rescuer for the depositors of a bank viz. LVB whose financial position was rapidly deteriorating, cannot be construed so as to impose penalty on the Noticee No. 20 for an action which was not done by DBIL. The Hon'ble High Court of Telangana *in the matter of Satyam Computer Services Limited Vs. Directorate of Enforcement (Writ Petition No. 37487 of 2012)*, vide Judgment dated December 31, 2018 held that, *".....the Enforcement Directorate could not have kept quiet at the time of competitive price bids and allowed the investors to become victims at their hands, for the purpose of redressing the grievances of the first set of victims. As pointed out by the Supreme Court in Vadilal Chemicals Limited v. State of Andhra Pradesh, the State which is represented by various departments should speak only with one voice.* ***When the Ministry of Corporate Affairs swung into action within 48 hours of the disclosure made by the Managing Director of the***

company, the object was to save more than 3 lakhs shareholders and 53,000 employees. After inducing the petitioner to infuse funds in order to rehabilitate the company, it is not open to another Department of the Government to treat a portion of what was part of the assets of the company at the time of competitive price bids, as proceeds of crime liable for attachment and confiscation". The Hon'ble Supreme Court vide order dated February 26, 2021 had dismissed the appeal filed against the said order of the Hon'ble High Court.

321. Drawing an analogy from the aforesaid case, in respect to the Noticee No. 20, when the Central Government and RBI (banking regulator) made the Noticee No. 20 to come to rescue of depositors of the then LVB, it would be grave injustice if another regulator imposes penalty on the Noticee No. 20 for a violation committed by the then LVB. I also note that the amalgamation of the then LVB with DBIL was not a voluntary amalgamation where both the parties agree to amalgamate or merge with each other. The amalgamation was pursuant to exercise of statutory powers by the RBI and the Central Government and that too for protecting the interest of the depositors of the then LVB.

322. I also note that RBI had issued an SCN dated February 14, 2020 to the then LVB before the amalgamation for various violations committed by the then LVB and the then LVB had also filed reply. However, RBI vide letter dated May 20, 2021 has dropped the said proceedigs on account of amalgamation of LVB with DBIL.

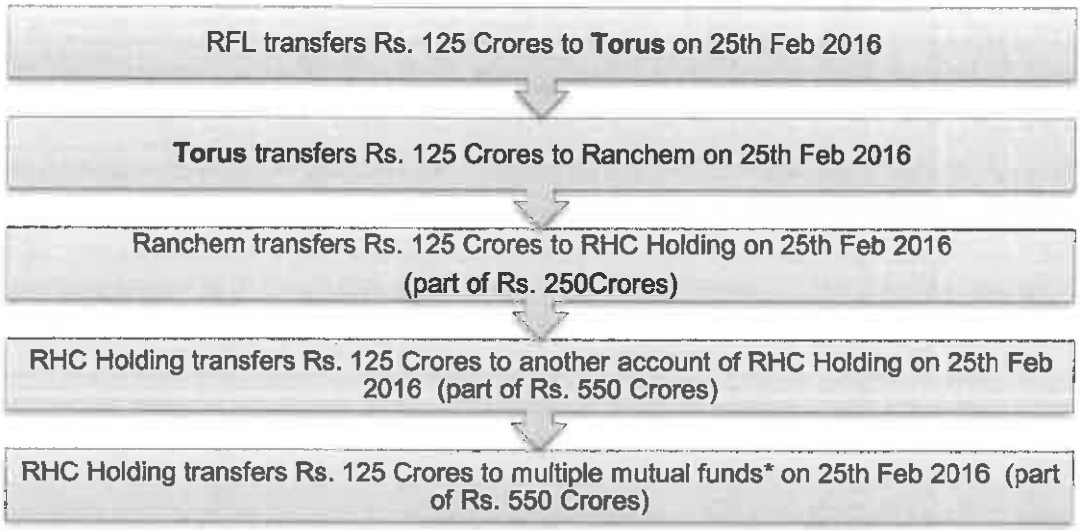
323. Considering the aforesaid factors, I find it appropriate not to impose any penalty on DBIL for the violations committed by the then LVB in the present matter.

TORUS BUILDCON PRIVATE LIMITED (NOTICEE NO. 22)

A. Sum and Substance of the Allegations

Torus's role as borrower entity in respect of loan taken from RFL on February 25, 2016 and June 30, 2017

324. RFL had granted a loan of Rs. 125 Crores to ***Torus Buildcon Private Limited.*** **(Torus/Noticee No. 22)** on February 25, 2016,which was utilised as under:



325. It is alleged that the Noticee No. 22 had repaid the aforesaid loan from RFL alongwith interest after receiveing the funds of Rs. 131.73 Crores indirectly from RFL thorugh loan of Rs. 150 Croes given by RFL to Fern on June 30, 2017.

326. It is alleged that, RFL had granted unsecured loan of Rs. 5 Crores to the Noticee No. 22 on June 30, 2017. The said amount was transferred to Fern which used it to repay the interest on loan of Rs. 100 Crores taken by it from RFL on February 10, 2016. The graphical presentation of the same are as follows: -

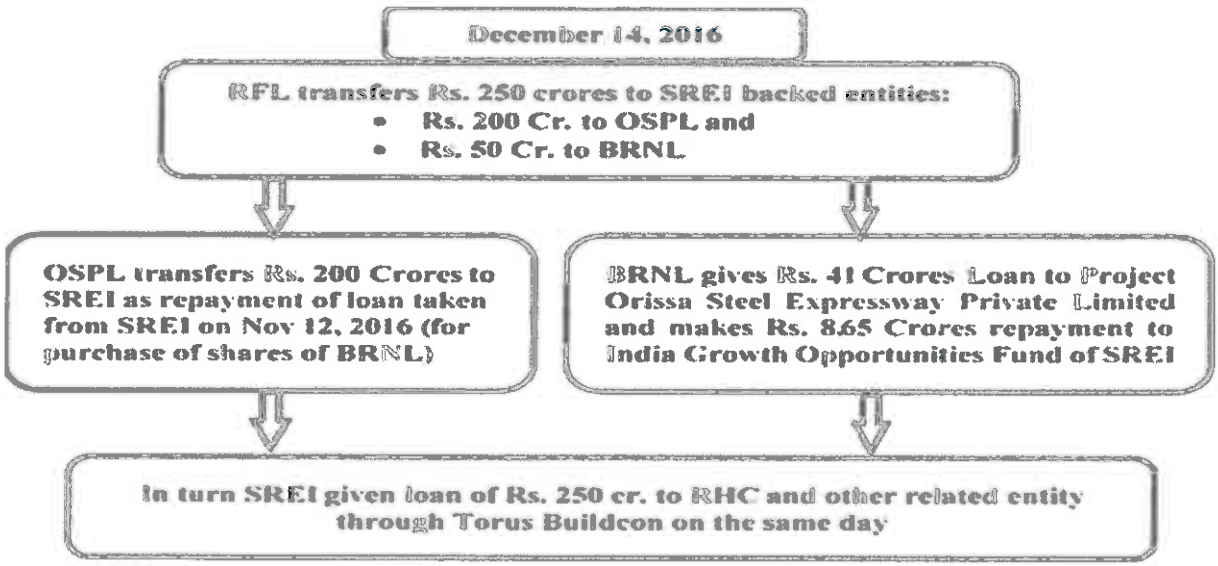


Torus's role as conduit entity in RFL's loan to OSPL and BRNL

327. It is also alleged that Torus acted as conduit entity in RFL's loan to OSPL, BRNL and Fern.

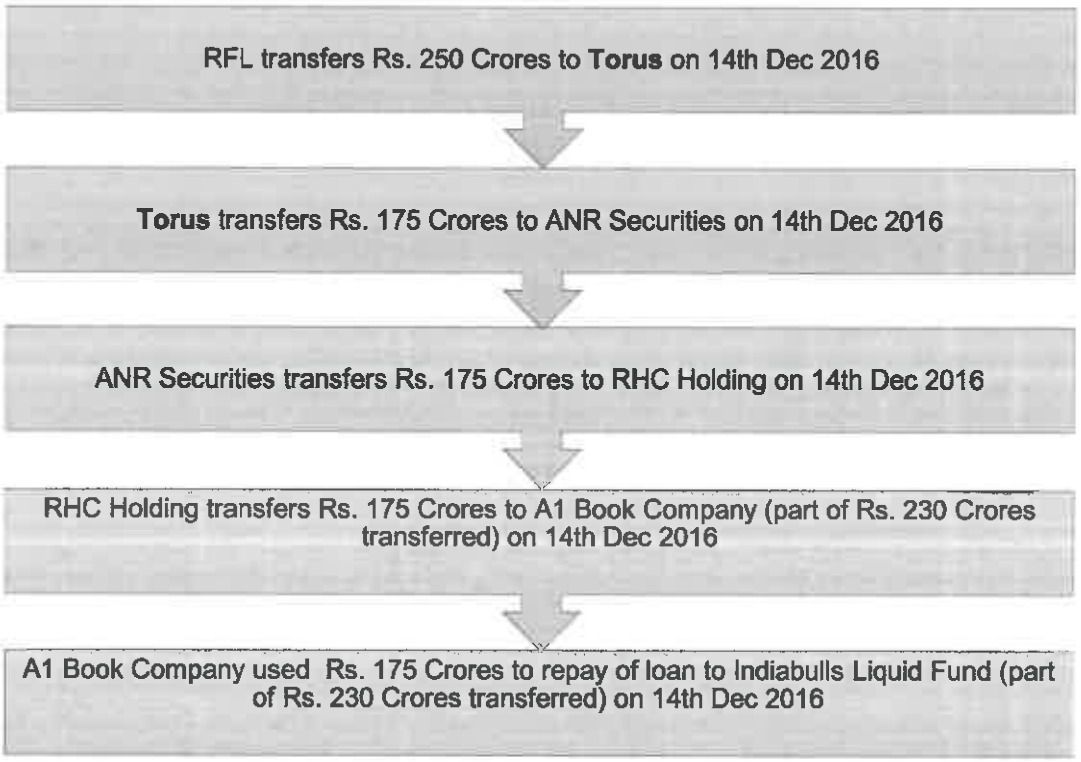
328. SREI and RHC Holding entered into an arrangement of back to back loans of Rs. 250 Crores. According to the arrangement, first RFL had given Rs. 200 Crore loan to OSPL, which it utilized to pay off the loan from SREI. Additionally, Rs. 50 Crore was given by RFL to BRNL. On the other

hand, SREI gave a loan of equal amount i.e. Rs. 250 Crores to the Promoter Entity i.e. RHC Holding through Torus. The pictorial representation of the same are as follows-

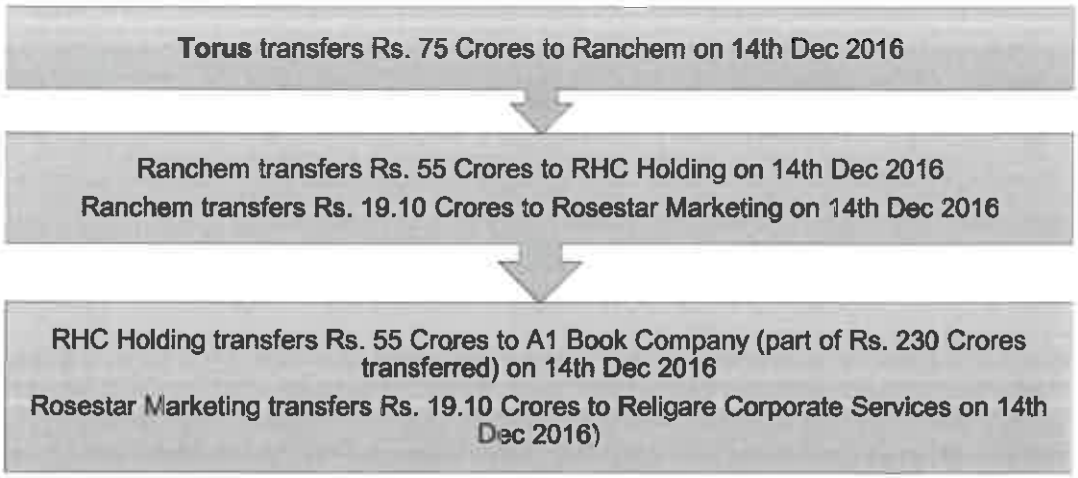


329. The aforesaid amount of Rs. 250 Crores has been transferred to the promoter related entity in two tranches.-

i. The diagrammatical presentation of the movement of Rs. 175 Crores out of Rs.250 Crores are as follows: -



ii. The diagrammatical presentation of movement of Rs. 75 Crores out of 250 Crores are as follows-



Religare Corporate Services Ltd (now called Finserve Shared Services Pvt Ltd) is a wholly owned subsidiary of RHC Holding.

330. Hence, it is alleged that Torus acted as borrower entity in respect of loan granted by RFL to Torus on February 25, 2016 facilitating diversion of Rs. 125 Crores to RHC Holding and the said loan was repaid alongwith interest out of the funds indirectly received from RFL through RFL's loan of Rs. 150 Crores to Fern on June 30, 2017. Further, it is also alleged that the Noticee No. 22 also acted as borrower entity in mis-utilisation of funds of Rs. 5 Crores. The Noticee No. 22 is also alleged to have acted as conduit entity and facilitated diversion of Rs. 250 Crores (175 Crores+75 Crores) in RFL's loan to OSPL and BRNL.

331. In view of the above it is alleged in the SCN that, Torus had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

332.

333. The SCN dated February 15, 2021 was sent to Torus at address mentioned on the MCA website i.e. "Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110 092", however the same returned undelivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Torus. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one

where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

334. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

335. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 22. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 22. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

336. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 22 acted as borrower entity in respect of loan of Rs. 125 Crores granted by RFL which was ultimately utilised by RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 22 repaid the said loan alongwith interest out the funds of Rs. 131.73 Crores indirectly received from RFL through to Fern.

337. Further, the loan of Rs. 5 Crores given by RFL to Torus had been misutilised by Fern to pay back the interest portion of the earlier loan taken from RFL on February 10, 2016, as explained above, which was diverted to the REL/RFL promoter group entities.

338. I also note that Torus acted as conduit entity and facilitated diversion of Rs. 250 Crores in RFL's loan to OSPL and BRNL.

339. Therefore, I conclude that the Noticee No. 22, Torus acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

RANCHEM PRIVATE LIMITED (NOTICEE NO. 23)

A. Sum and Substance of the Allegations

340. It is alleged that Ranchem Private Limited. **(Ranchem/Noticee No. 23)** acted as borrower entity in RFL's fixed deposit with LVB and counduit entity in RFL's loan /investment to OSPL, BRNL, Torus, Oscar, Fern, Rosestar, Volga, Neelanchal, Nishu, Spinstar and Gurudev.

Ranchem's role as conduit entity in RFL's Fixed Deposit with LVB

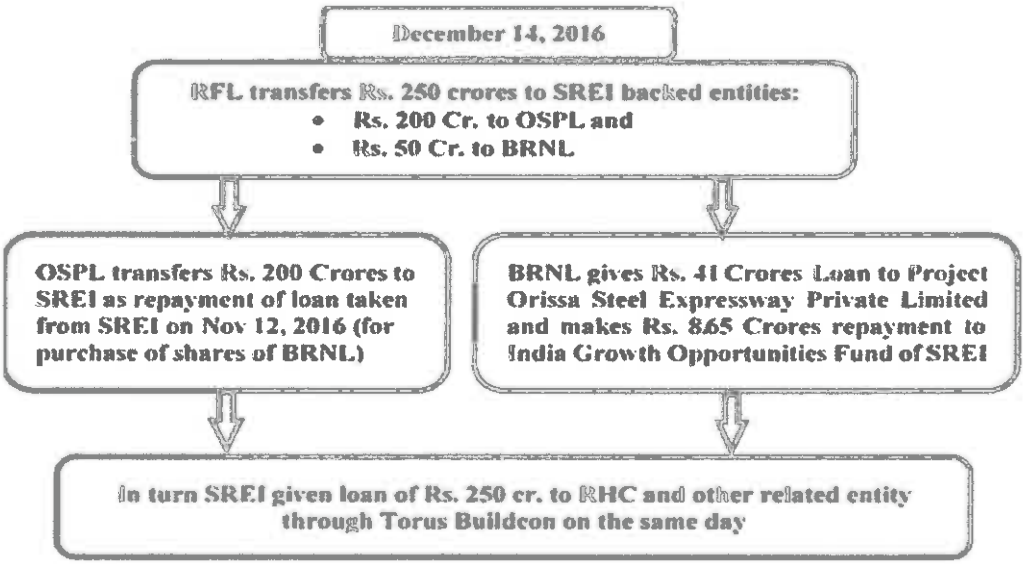
341. On November 11, 2016, RFL paid Rs. 400 Crores to LVB to create FDs. Then LVB gave loan of Rs. 199.5 Crores to RHC Holding and Rs. 174.8 Crores to **Ranchem** on the same date. The said amount was transferred to RHC Holding Axis Bank Account on the same date. Out of the aforesaid cumulative amount of Rs. 374.3 Crores, RHC Holding paid Rs. 320.22 Crores to Aditya Birla Sunlife for repayment of NCDs on November 11, 2016. The balance amount of Rs. 54 Crores was paid to multiple parties on November 15, 2016. Out of the balance amount of Rs. 54 Crores, Rs. 25 Crores was paid to **Ranchem** which paid the said amount to Fortis Healthcare Holding Ltd. (FHHL) which in turn used it to pay of its loan from Kotak Mahindra Bank.

342. Additional Loan of Rs. 22.33 Crores was given by LVB to RHC Holding (Rs. 8.84 Crores) and **Ranchem** (Rs. 13.49 Crores) on December 31, 2016, which was further transferred to RHC Holding Axis Bank Account on the same day.

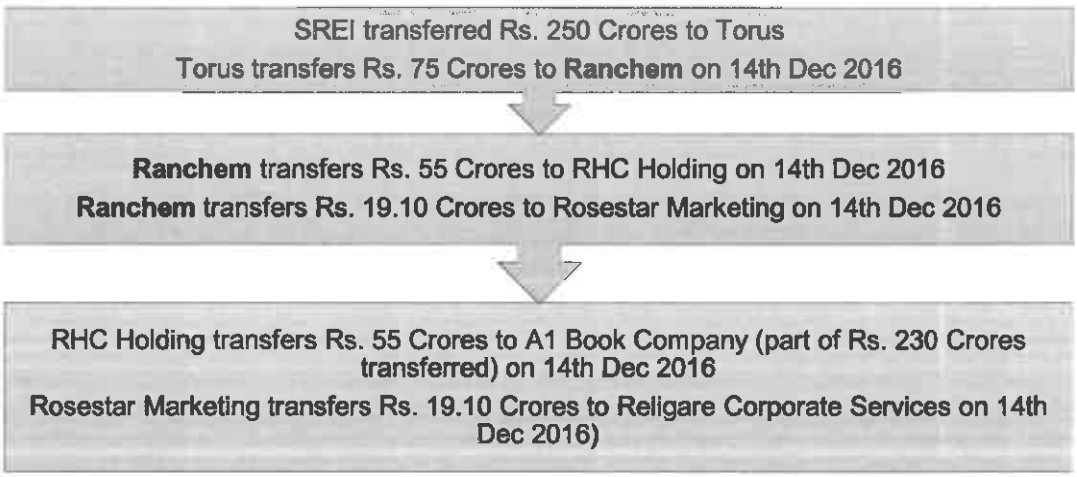
343. Hence, it is alleged that Ranchem acted as conduit entity and facilitated diversion of Rs. 188.29 Crores in RFL's Fixed Deposit with LVB.

Ranchem's role as conduit entity in RFL's loan to OSPL and BRNL

344. SREI and RHC Holding entered into an arrangement of back to back loans of Rs. 250 Crores. According to the arrangement, first RFL had given Rs. 200 Crore loan to OSPL, which it utilized to pay off the loan from SREI. Additionally, Rs. 50 Crore was given by RFL to BRNL. On the other hand, SREI gave a loan of equal amount i.e. Rs. 250 Crores to the Promoter Entity i.e. RHC Holding through Torus. The pictorial representation of the same are as follows-



345. Out of the aforesaid Rs. 250 Crores received by Torus from SREI (as part of back to back arrangement between SREI and RFL whereby RFL gave loan of Rs. 200 Crores and Rs. 50 Crores to SREI backed entities namely OSPL and BRNL respectively and SREI in turn transferred Rs. 250 Crores to erstwhile promoter entities of RFL/REL through loan to Torus), Torus transferred Rs. 75 Crores in second trench to the erstwhile promoter group of REL/RFL thorugh Ranchem as mentioned below-

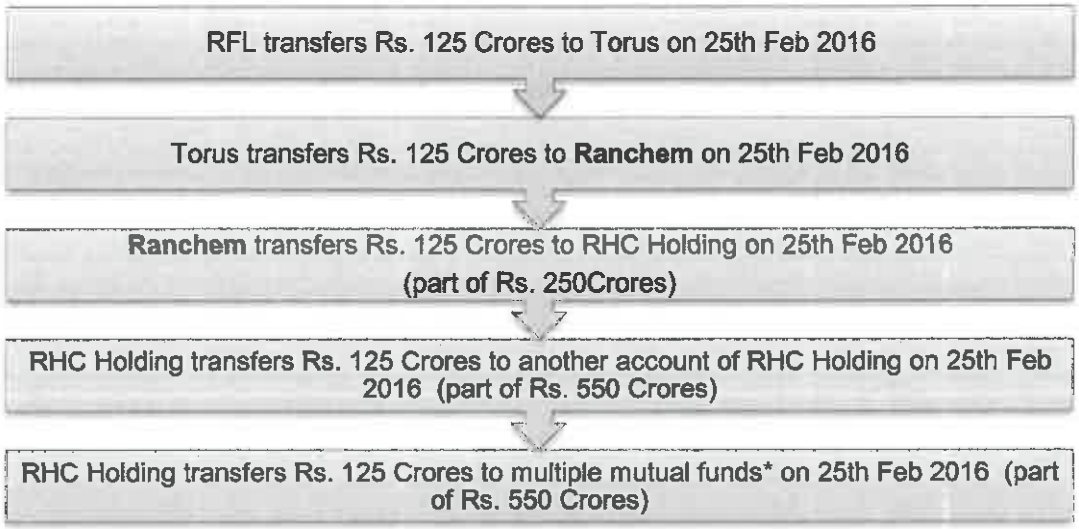


Religare Corporate Services Ltd (now called Finserve Shared Services Pvt Ltd) is a wholly owned subsidiary of RHC Holding

Ranchem's role as conduit entity in RFL's loan to Torus on February 25, 2016

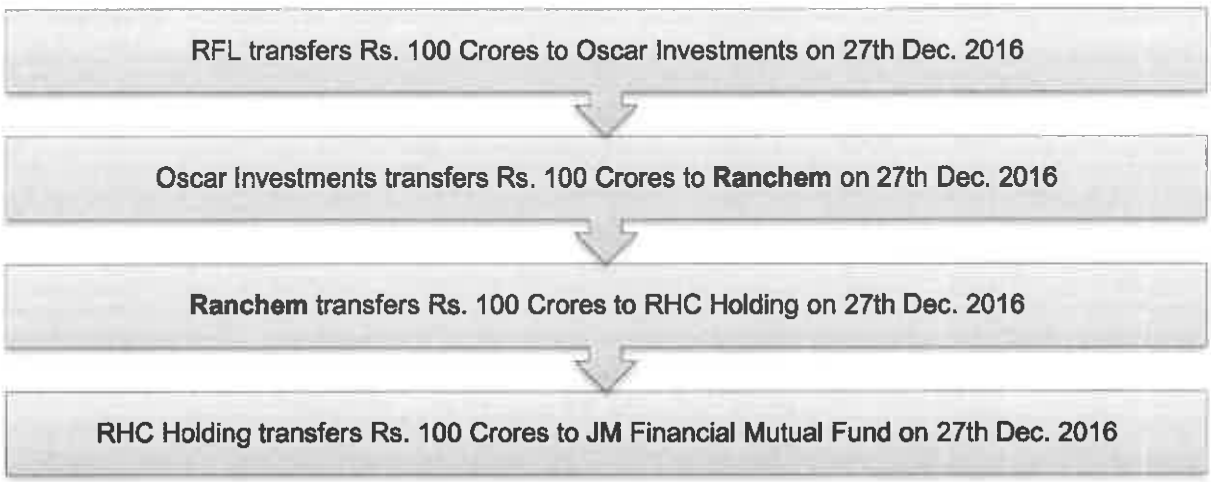
346. The loan of Rs. 125 Crores taken by Torus on February 25, 2016 was utilised as under:

D.V. Sya



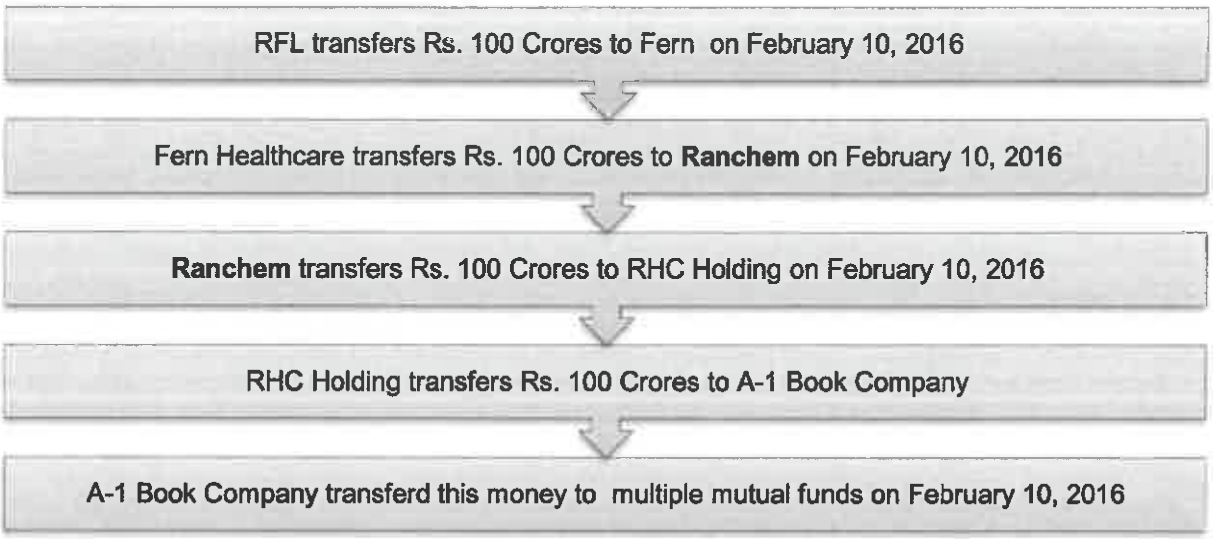
Ranchem's role as conduit entity in RFL's loan to Oscar on December 27, 2016

347. The loan of Rs. 100 Crores taken by Oscar on December 27, 2016 from RFL was utilised in the following manner:



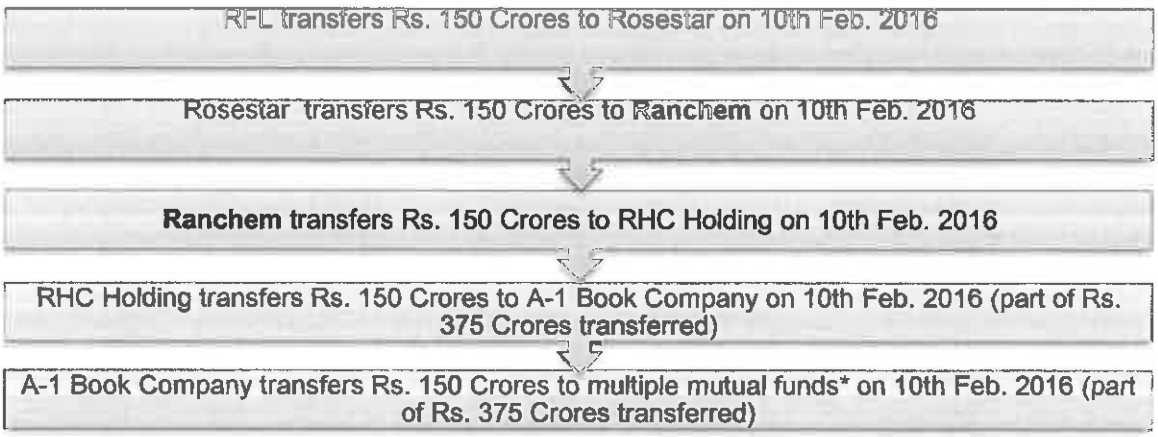
Ranchem's role as conduit entity in RFL's loan to Fern on February 10, 2016

348. The loan of Rs. 100 Crores granted by RFL to Fern on February 10, 2016 was utilised by RHC Holding. The pictorial presentation of the same is as follows:



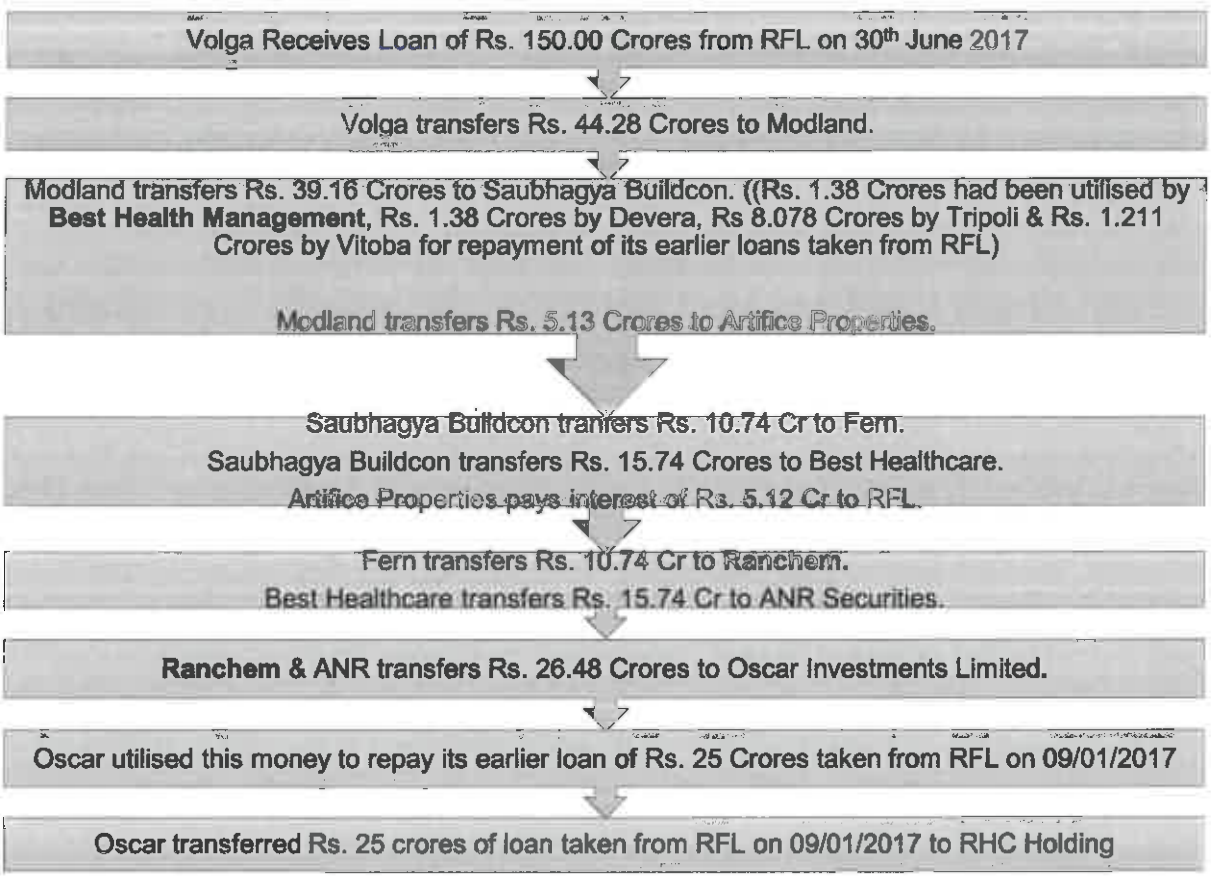
Ranchem's role as conduit entity in RFL's loan to Rosestar on February 10, 2016

349. On February 10, 2016, RFL had granted unsecured loan of Rs. 150 Crores to Rosestar which transferred it to Ranchem on the same date. Ranchem then transferred it to RHC Holding on February 10, 2016 and then on the same date RHC Holding transferred it to A-1 Book Company which transferred it to multiple mutual funds on February 10, 2016. Thus, the said loan of Rs. 150 Crores were ultimately utilised by RHC Holding. The pictorial presentation of the movement of the same are as follows: -



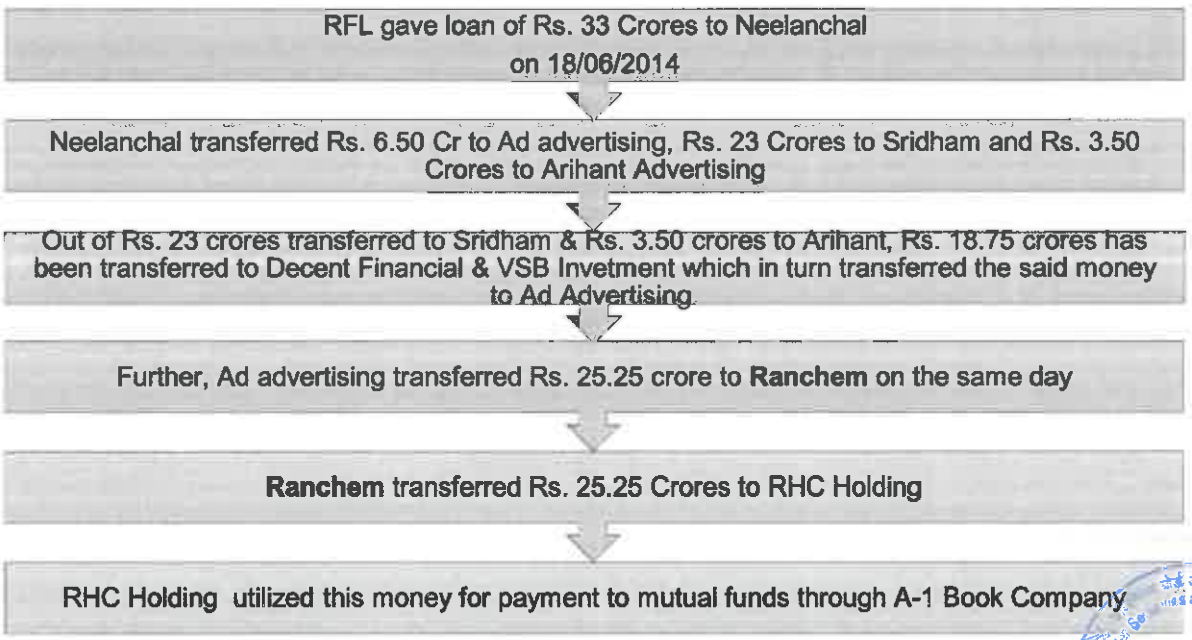
Ranchem's role as conduit entity in RFL's loan to Volga on June 30, 2017

350. RFL had granted unsecured loans of Rs.150 Crores on June 30, 2017 to Volga. Out of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its loan granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in the following manner:

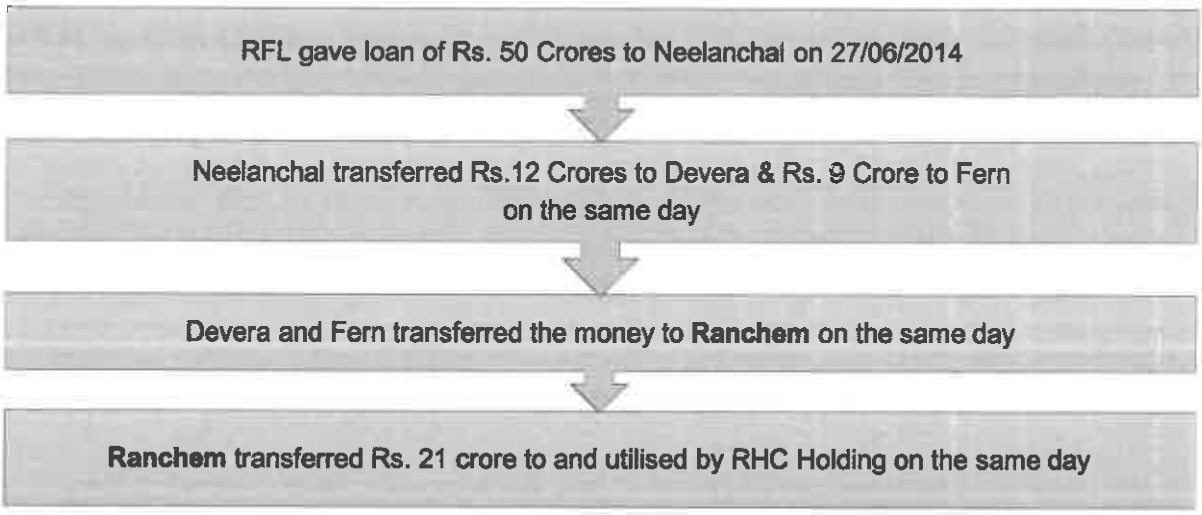


Ranchem's role as conduit entity in RFL's loan to Neelanchal on June 18, 2014 and June 27, 2014

351. The utilisation of the loan of Rs. 33 Crores and Rs. 50 Crores taken by Neelanchal on June 18, 2014 and June 27, 2014 is as follows:

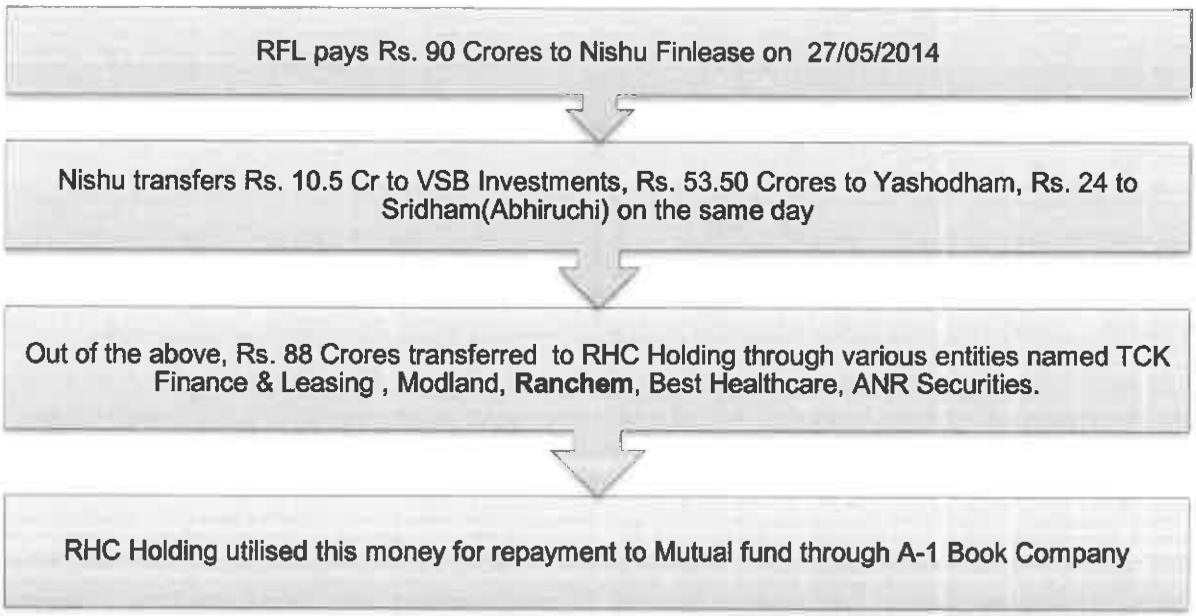


352. Utilisation of the loan of Rs. 50 Crores taken by Neelanchal on June 27, 2014, is as follows-



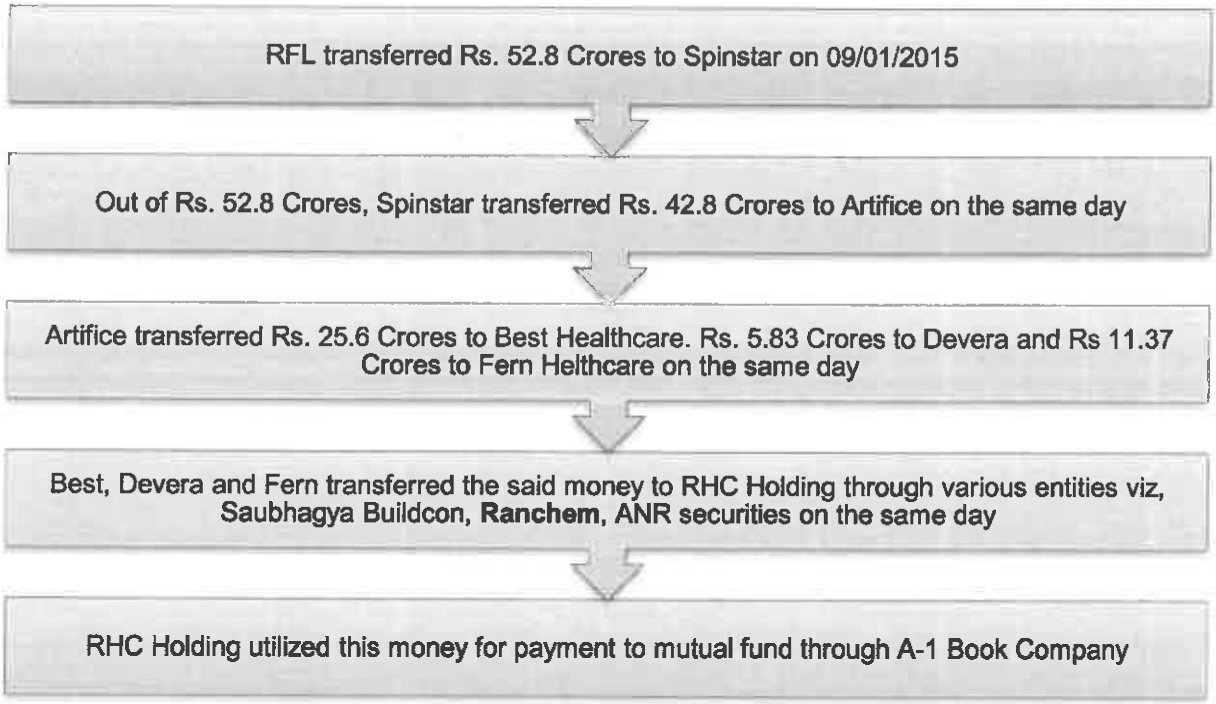
Ranchem's role as conduit entity in RFL's loan to Nishu Finlease on May 27, 2014

353. The utilisation of the aforesaid loan of Rs. 90 Crores taken by Nishu Finlease from RFL on May 27, 2014 is as follows:



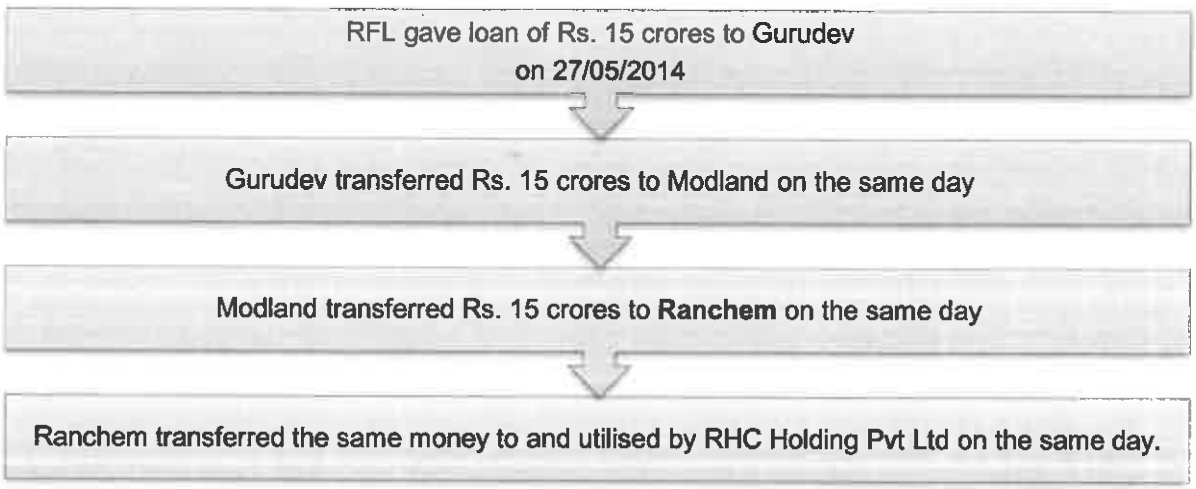
Ranchem's role as conduit entity in RFL's loan to Spinstar on January 9, 2015

354. On January 09, 2015, RFL had granted loan of Rs. 52.8 Crores to Spinstar. The utilisation of the said loan of Rs. 52.8 Crores is as follows:



Ranchem's role as conduit entity in RFL's loan to Gurudev on May 27, 2014

355. On May 27, 2014, RFL granted loan of Rs. 15 Crores to Gurudev on May 27, 2014 which was utilised in the following manner-



356. In view of the above it is alleged that, Ranchem had acted as borrower or/and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

357. The SCN dated February 15, 2021 providing opportunity to file reply within 14 days, was sent to Ranchem at the address mentioned on the MCA website i.e. "*G - 16, Marina Arcade, Connaught Circus, New Delhi – 110 001*", and the same was delivered on February 22, 2021. No reply was filed.

358. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, fixing the hearing on September 06, 2021 and providing another opportunity to file reply by September 03, 2021, was sent to Ranchem at the aforesaid address and the same was delivered on August 16, 2021.

359. Thereafter, on the continuous request of Ms. Japna Singh on behalf of Mr. Malvinder Singh and Ranchem (as per Annual Reports of RHC Holding, Singh brothers exercised significant influence over Ranchem which became its subsidiary in 2014), the hearings were adjourned to September 27, 2021 and October 07, 2021, and then to October 14, 2021. The noticee again failed to appear. However, Ms. Japna Singh, vide e-mail dated October 12, 2021 again sought adjournment. Thereafter as a last chance, vide e-mail dated January 25, 2022, an opportunity of hearing was granted to Ranchem on February 14, 2022. In respect of the said e-mail, Ms. Japna Singh vide email dt. February 1, 2022 stated that since Mr. Malvinder Singh is not named as noticee in SCN, he is not aware of reason for issuing the said email to him and that he would not be filing any submission or replies in this regard.

360. Thereafter vide notice dated February 17, 2022 sent through SPAD to Ranchem at the same address where SCN was delivered, noticee was directed to file reply, if any, latest by February 26, 2022 and an opportunity of hearing was scheduled for February 28, 2022. A scanned copy of the notice dated February 17, 2022 was also sent via email dated February 17, 2022 on the email id mentioned on the MCA website i.e. *"ranchem55@gmail.com"*. The hearing was rescheduled to March 04, 2022 vide letter dated February 25, 2022, and notified the same to the noticee via digitally signed copy of the letter dated February 25, 2022 sent by email dated February 25, 2022 to the email id "*ranchem55@gmail.com*". The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

361. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

362. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 23. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 23. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

363. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 23 had acted as conduit entity and facilitated diversion/misutilisation of Rs. 188.29 Cr in RFL's fixed deposit with LVB, Rs. 75 Cr. in the back to back arrangement with RFL and SREI (which is discussed in detail in parts relating to SREI (noticee no. 21) and Torus (noticee no. 22)), Rs. 125 Cr. in RFL's loan to Torus, Rs. 100 Crores in RFL's loan to Oscar, Rs. 100 Crores in RFL's loan to Fern, Rs 150 Crores in RFL's loan to Rosestar, Rs. 10.74 Crores in RFL's loan to Volga, Rs. 46.25 Crores in RFL's loan to Neelanchal, Rs. 24 Crores in RFL's loan to Nishu Finlease, Rs. 25.6 Crores (transferred as part of Rs. 82.9 Crores by Besh Healthcare) in RFL's loan to Spinstar and Rs. 15 Crores in RFL's loan to Gurudev, as mentioned above.

364. Therefore, I conclude that the Noticee No. 23, Ranchem acted as conduit entity and was part of an elaborate scheme of diversion of funds of REL through RFL.

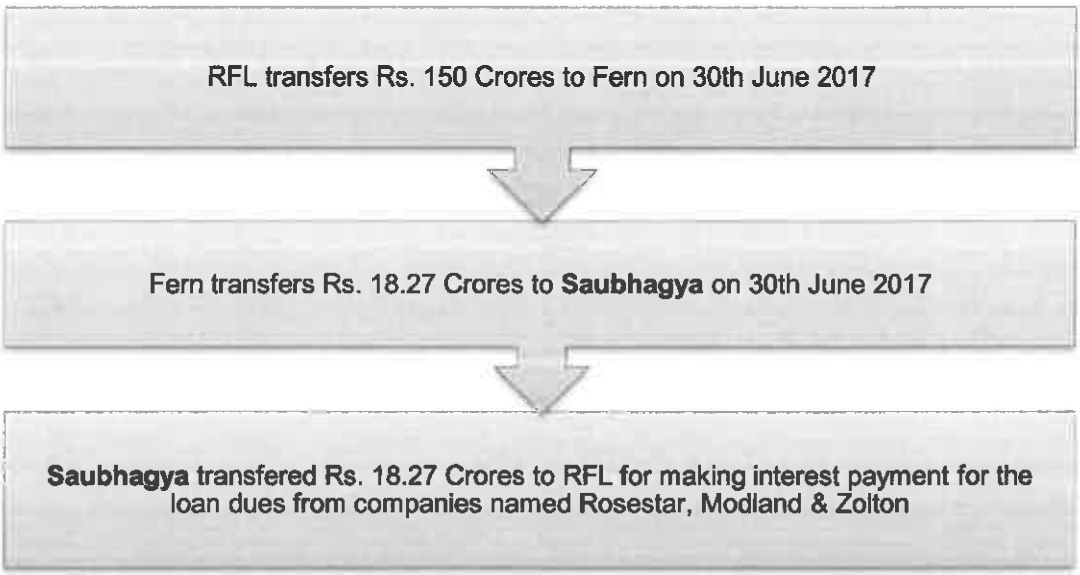
SAUBHAGYA BUILDCON PRIVATE LIMITED (NOTICEE NO. 24)

A. Sum and Substance of the Allegations

365. It is alleged that ***Saubhagya Buildcon Private Limited*** **(Saubhagya/Noticee No. 24)** acted as a conduit entity in RFL's loan to Fern, Volga, Spinstar and Nikhil Holding, and these loans were utilized for the ultimate benefit of promoter group entities.

Saubhagya's role as conduit entity in RFL's loan to Fern on June 30, 2017

366. On June 30, 2017, RFL granted unsecured loan of Rs. 150 Crores to Fern Healthcare Pvt. Ltd. (Fern). On the same day, Fern transferred Rs. 131.73 Crores to Torus and Rs. 18.27 Crores to Saubhagya. In turn, Saubhagya transferred the aforesaid amount of Rs. 18.27 Crores to RFL for making interest payment for the loan dues from Rosestar Marketing Pvt. Ltd (Rosestar), Modland Wears Private Ltd. (Modland) and Zolton Properties Private Ltd. (Zolton). The pictorial representation is as follows.



367. Hence, it is alleged that Saubhagya acted as conduit entity and facilitated diversion of Rs. 18.27 Crores in the RFL's Loan to Fern.

Saubhagya's role as conduit entity in RFL's loan to Volga on June 30, 2017

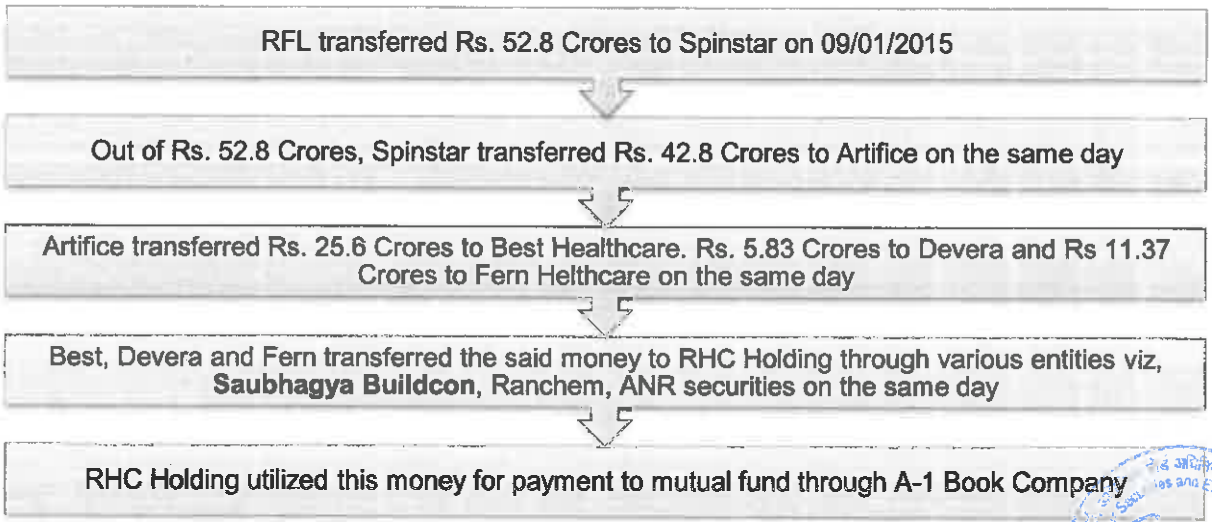
368. RFL had granted unsecured loans of Rs.150 Crores on June 30, 2017 to Volga. Out of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its loan granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in the following manner:



369. Hence, it is alleged that Saubhagya acted as conduit entity and facilitated diversion of Rs. 39.16 Crores in RFL's Loan to Volga.

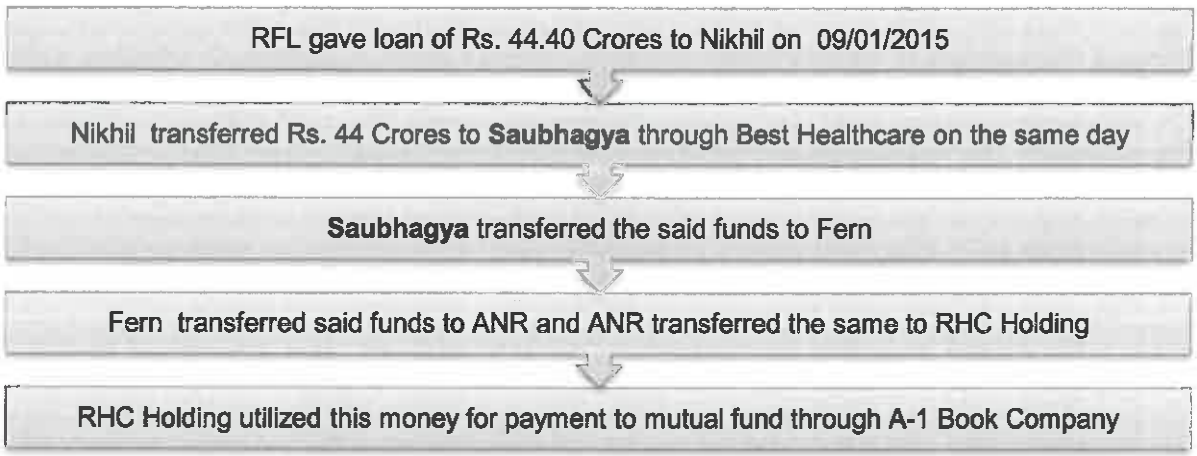
Saubhagya's role as conduit entity in RFL's loan to Gurudev

370. On January 09, 2015, RFL had granted loan of Rs. 52.8 Crores to Spinstar which was utilised as mentioned under:



Saubhagya's role as conduit entity in RFL's loan to Tara Alloys

371. RFL had granted loan of Rs. 45 Crores to Nikhil Holding on January 09, 2015. The utilisation of the said loan taken by Nikhil Holding is as mentioned under:



372. Hence, it is alleged that Saubhagya acted as conduit entity and facilitated diversion of Rs.44 Crores in RFL's Loan to Tara Alloys.

373. In view of aforesaid, it is alleged in the SCN that, Saubhagya had acted as conduit entity and contributed to diversion/misutilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

374. The SCN dated February 15, 2021 was sent to Saubhagya at the address mentioned on the MCA website i.e. *"Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110 092"*, however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the same address of Saubhagya. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

375. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that the noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

376. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 24. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 24. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

377. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 24 acted as a conduit entity and facilitated diversion of Rs. 26.48 Crores in RFL's loan to Volga, in RFL's loan to Spinstar and Rs. 44 Crores in RFL's loan to Nikhil Holding, as mentioned above. Further, the Noticee No. 24 also contributed to mis-utilisation of Rs. 18.27 Crores in RFL's loan to Fern and Rs. 12.05 in RFL's loan to Volga whereby the said amounts were mis-utilised by various entities for repayment of interest on earlier loans taken from RFL itself.

378. Therefore, I conclude that the Noticee No. 24, Saubhagya acted as conduit entity, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

FORTIS HEALTHCARE HOLDINGS PRIVATE LIMITED (NOTICEE NO. 25)

A. Sum and Substance of the Allegations

379. It is alleged that Fortis Healthcare Holdings Private Limited **(Fortis/ Noticee No. 25)** acted as conduit entity in RFL's fixed deposit with LVB and RFL's loan to Modland.

Fortis's role as conduit entity in RFL's Fixed Deposit with LVB

380. On November 11, 2016, RFL paid Rs. 400 Crores to LVB to create FDs. Then LVB gave loan of Rs. 199.5 Crores to RHC Holding and Rs. 174.8 Crores to Ranchem on the same date. The said amount was transferred to RHC Holding Axis Bank Account on the same date. Out of the aforesaid cumulative amount of Rs. 374.3 Crores, RHC Holding paid Rs. 320.22 Crores to Aditya Birla Sunlife for repayment of NCDs on November 11, 2016. The balance amount of Rs. 54 Crores was paid to

multiple parties on November 15, 2016. Out of the balance amount of Rs. 54 Crores, Rs. 25 Crores was paid to Ranchem which paid the said amount to Fortis Healthcare Holding Ltd. (FHHL) which in turn used it to pay of its loan taken by it from Kotak Mahindra Bank.

381. Hence, it is alleged that Fortis had misutilised Rs. 25 Crores out of RFL's alleged Fixed Deposit backed loan from LVB, for repayment of its loan.

Fortis's role as conduit entity is RFL's loan to Modland on September 07, 2016

382. RFL had given loan Rs. 10 Crores to Modland on September 07, 2016. The movement of loan is as follows-



383. Hence, it is alleged that Fortis acted as conduit entity and facilitated diversion of Rs. 10 Crores in RFL's loan to Modland.

384. In view of the aforesaid, in the SCN it is alleged that, Fortis acted as conduit entity and also contributed to diversion/mis-utilisation of funds of REL through RFL. for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

385. The SCN dated February 15, 2021 providing opportunity to file reply within 14 days, was sent to Fortis at the address mentioned on the MCA website i.e. "G - 16, Marina Arcade, Connaught Circus, New Delhi – 110 001", and the same was delivered on February 22, 2021. No reply was filed.

386. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, while fixing the hearing on September 06, 2021, providing another opportunity to file reply by September 03, 2021, was sent to Fortis at the aforesaid address and the same was delivered on August 16, 2021.

387. Thereafter, on the continuous request of Ms. Japna Singh, wife of Malvinder Mohan Singh, director of Fortis the hearing were adjourned to September 29, 2021 and October 11, 2021, and then to October 22, 2021. The noticee again failed to appear. However, Ms. Japna Singh, vide e-mail dated October 12, 2021 again sought adjournment. Thereafter as a last chance, vide e-mail dated January 25, 2022, an opportunity of hearing was granted to Fortis on February 14, 2022. In respect of the said e-mail, Ms. Japna Singh vide email dt. February 1, 2022 stated that since Mr. Malvinder Singh is not named as noticee in SCN, he is not aware of reason for issuing email to him and that he would not be filing any submission or replies in this regard.

388. Thereafter, vide notice dated February 17, 2022, sent to the aforesaid address, Fortis was directed to file reply, if any, latest by February 26, 2022 and an opportunity of hearing was scheduled for February 28, 2022., which was rescheduled to March 04, 2022. The aforesaid notice was also sent to Fortis via email dated February 17, 2022 and February 25, 2022, at email id mentioned on the MCA website i.e. - "fortishealth55@gmail.com". The Noticee did not appear for the hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

389. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

390. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 25. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 25. The fund trail is

also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

391. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 25 had acted to benefit itself in diversion of Rs 10 Crores in RFL's loan to Modland, and as conduit entity facilitated diversion of Rs 25 Crores in RFL's fixed deposit loan with LVB, as explained above.

392. I also note that the directors of Fortis including Mr. Malvinder Mohan Singh were the main masterminds for diversion of funds for their own benefit and the companies owned by them.

393. Therefore, I conclude that the Noticee No. 25, Fortis acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion of funds of REL through RFL.

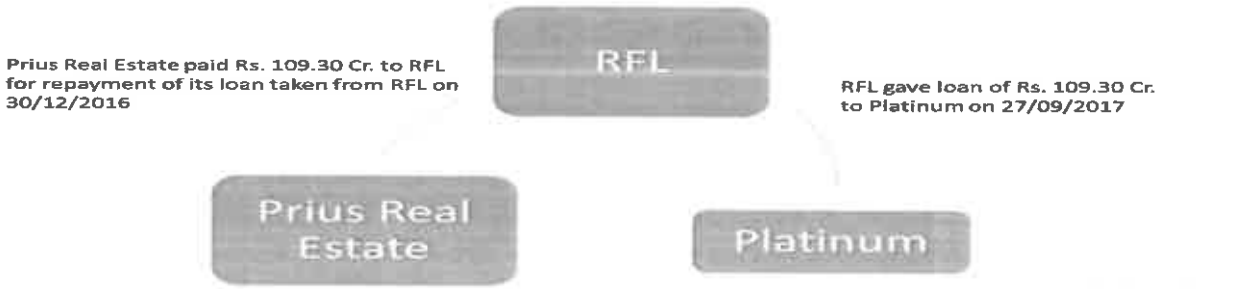
PRIUS REAL ESTATE PRIVATE LIMITED (NOTICEE NO. 26)

A. Sum and Substance of the Allegations

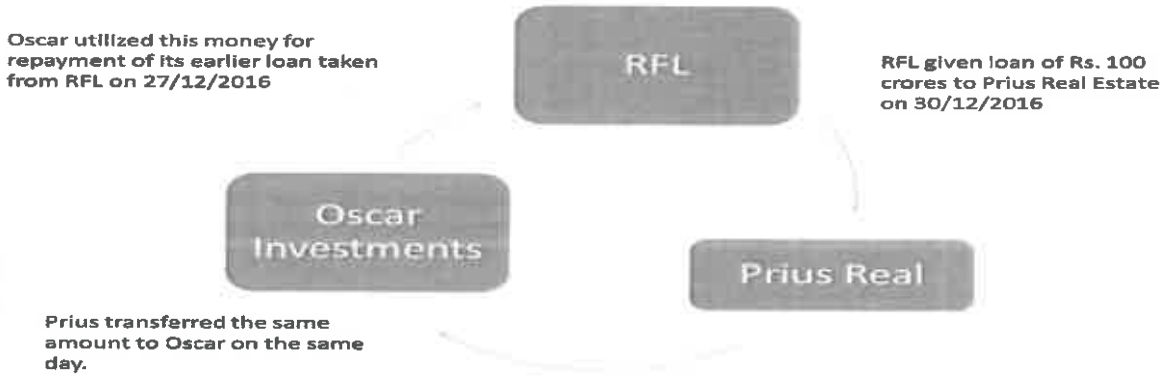
394. It is alleged that **Prius Real Estate Private Limited (Prius/Noticee No. 26)** acted as a conduit entity in RFL's loan to Platinum. These loans were utilized for the ultimate benefit of promoter group entities.

Prius's role as conduit entity in RFL's loan to Platinum

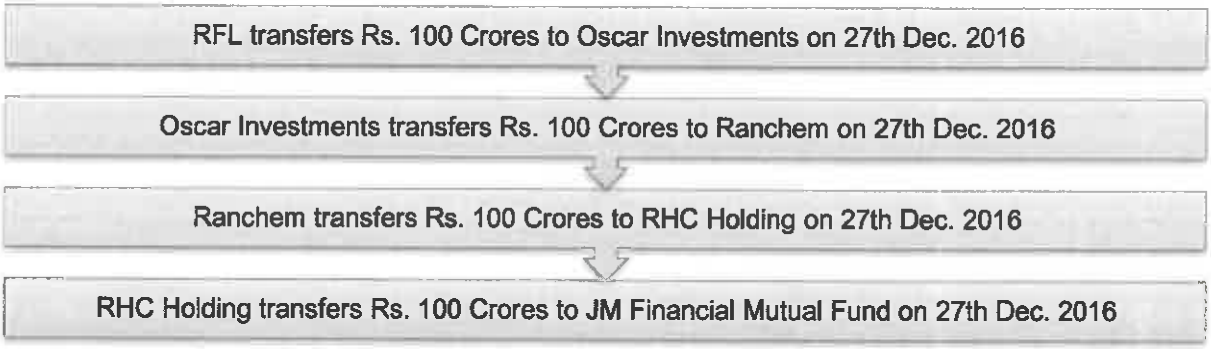
395. On September 27, 2017, RFL granted unsecured loan Rs. 109.30 Crores to Platinum Infrastructure Pvt. Ltd. (Platinum). Platinum transferred the said amount to Prius Real Estate Pvt. Ltd. (Prius) on same day. Prius used the said amount to repay its loan to RFL taken by it on December 30, 2016.



396. The loan of Rs. 100 Crores taken by Prius on December 30, 2016 was transferred by it to Oscar Investment Pvt. Ltd. (Oscar) which used the said amount to repay its earlier loan from RFL taken on December 27, 2016.



397. The loan of Rs. 100 Crores taken by Oscar on December 27, 2016 from RFL was utilised in the following manner –



398. Thus, an amount of Rs. 100 Crores out of the loan given to Platinum was ultimately utilised by RHC Holding

399. Hence, it is alleged that Prius acted as conduit entity and facilitated diversion of Rs. 109.30 Crores in RFL's loan to Platinum.

400. In view of above, it is alleged in the SCN that, Prius had acted as conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. <u>Service of SCN and subsequent replies</u>

401. The SCN dated February 15, 2021 was sent to Prius at the address mentioned on the MCA website i.e. "*D-3, District Centre, Saket, South Delhi, New Delhi – 110 017*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Prius. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

402. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

403. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 26. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 26. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

404. From the analysis of fund trail, bank statements and the documents, on December 30, 2016 the Noticee No. 26 took a loan of Rs. 100 Crores from RFL and the said amount was used by Oscar Investment ltd. for repayment of an earlier loan of Rs. 100 Crores which was ultimately transferred to RHC Holding as mentioned above. Further, the Noticee No. 26 repaid the said loan alongwith interest after receiveing Rs. 109.3 Crores from RFL through Platinum as mentioned above. Thus, the Noticee No. 26 acted as borrower/conduit entity and facilitated diversion of Rs. 100 Crores of RFL to RHC Holding and also misutilised Rs. 9.3 Crores for repayment of interest on earlier loan taken by the Noticee No. 26 from RFL on December 30, 2016.

405. Therefore, I conclude that the Noticee No. 26, Prius acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

OSCAR INVESTMENTS LIMITED (NOTICEE NO. 27)

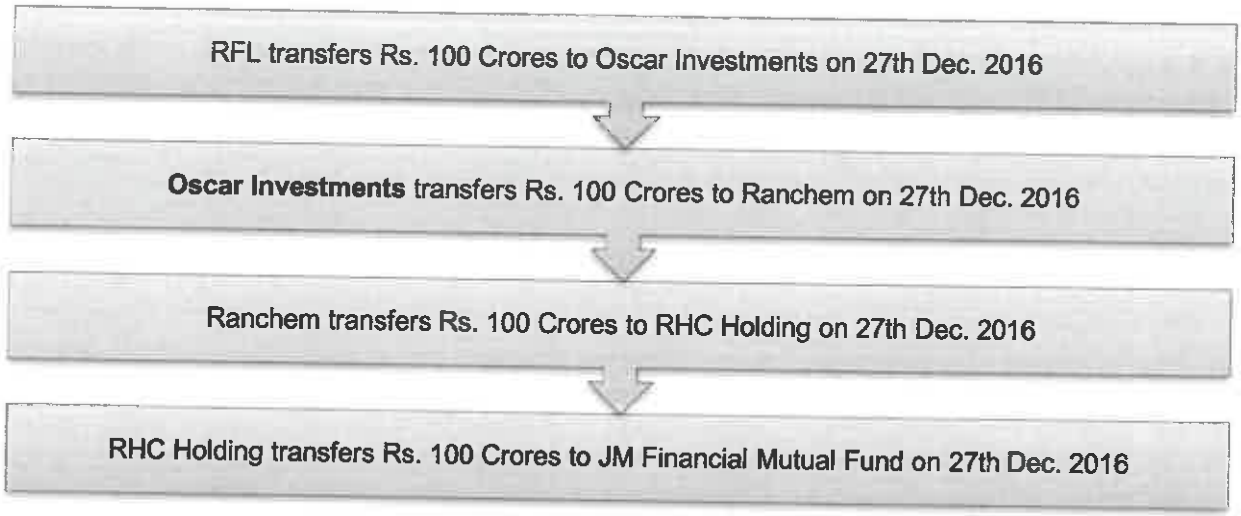
A. Sum and Substance of the Allegations

406. RFL had granted unsecured loans of Rs.150 Crores on June 30, 2017 to Volga. Out of Rs. 150 Crores granted on June 30, 2017 to Volga, an amount of Rs. 105.72 Crores was utilised by Volga to repay its loan granted by RFL on February 25, 2016. The balance Rs. 44.28 Crores were utilised in the following manner:



407. Hence, it is alleged that Oscar acted as borrower/conduit entity and facilitated diversion of Rs. 25 Crores to RHC Holding and misutilised Rs. 1.48 Crores for repayment of interest on the said loan.

408. On December 27, 2016, RFL granted loan of Rs. 100 Crores to Oscar which was utilised in the following manner –



409. In view of the aforesaid, in SCN it is alleged that, the Noticee No. 27, had acted conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

410. The SCN dated February 15, 2021 providing opportunity to file reply within 14 days, was sent to the address mentioned on the MCA website of Oscar i.e." Taj Building, C-4, C-5, 1st Floor, 210, D.N. Road, Fort, Mumbai – 400 001 (Maharashtra)", however, the same returned undelivered. Thereafter the SCN was published in the newspaper on May 15, 2021. However, no reply was received from the noticee.

411. Alternate address of the noticee was found from the MCA website, and in the interest of justice, a copy of SCN dated February 15, 2021 was sent to the alternate address i.e. "G - 16, Marina Arcade, Connaught Circus, New Delhi – 110001" vide letter dated January 27, 2022, advising to file reply by February 16, 2022. The said notice was delivered on January 31, 2022. The copy of letter dated January 27, 2022 was also attempted to the noticee via email dated January 28, 2022 at email id- "gunjan.singh@rhcholding.com". However, no reply was received.

412. Thereafter, vide hearing notice dated March 11, 2022 the noticee was granted one more opportunity to file reply by March 23, 2022 and was also accorded an opportunity of hearing on

March 25, 2022. The said hearing notice was delivered via SPAD on March 16, 2022, and was also sent via email dated March 11, 2022 at email id- "gunjan.singh@rhcholding.com" The noticee did not appear for hearing, nor filed any reply.

C. *Consideration of Allegations, replies and Submissions*

413. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

414. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 27. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 27. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

415. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 27 had taken loans of Rs. 100 Crores and Rs. 25 Crores from RFL on December 27, 2016 and January 1, 2017 respectively. As mentioned above and discussed elsewhere in this order, the said amount was ultimately transferred to RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 27 repaid the said loans out of the funds indirectly received from RFL through RFL's loans to Prius (repayment of loan of Rs. 100 Crores) and Volga (repayment of loan of Rs. 25 Crores alongwith interest). Further, the Noticee No. 27 also mis-utilised Rs. 1.68 Crores, indirectly received from RFL's loan granted to Volga on June 30, 2017, for payment of interest on loan received from RFL on January 1, 2017.

416. Therefore, I conclude that the Noticee No. 27, Oscar acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

NISHU FINLEASE PVT. LTD. (NOTICEE NO. 28)
VSB INVESTMENT PVT. LTD. (NOTICEE NO. 32)

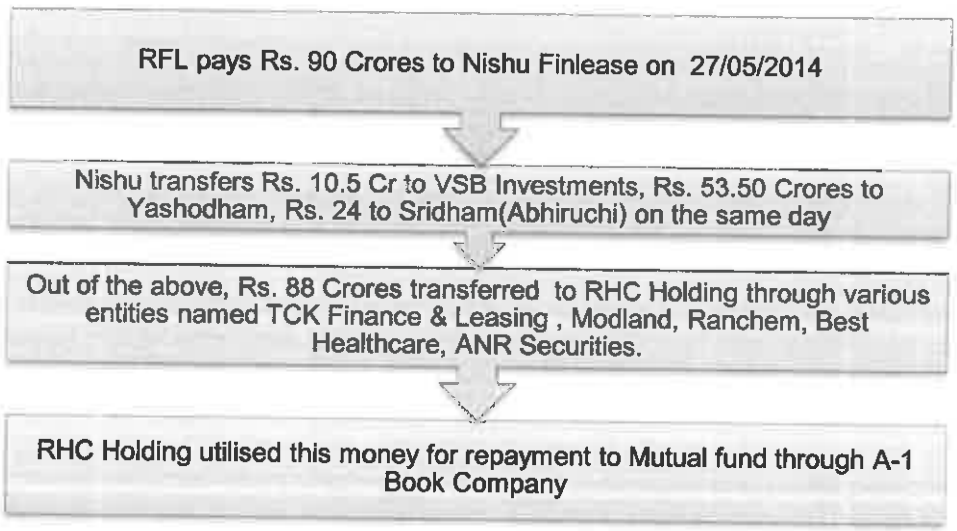
417. Nishu Finlease Pvt. Ltd. (Noticee No. 28) and VSB Investment Pvt. Ltd. (Noticee No. 32) have filed replies on similar lines and were also involved in some common chain of transactions. Therefore, it is felt appropriate to deal with the allegations and replies of the said noticees at one place.

A. Sum and Substance of the Allegations

418. It is alleged that the Noticee Nos. 28 and 32 acted as borrower/conduit entities thereby contributing to the diversion/mis-utilisation of funds of RFL.

Role of the Noticee No. 28 as borrower entity in diversion/mis-utilisation of funds of RFL:

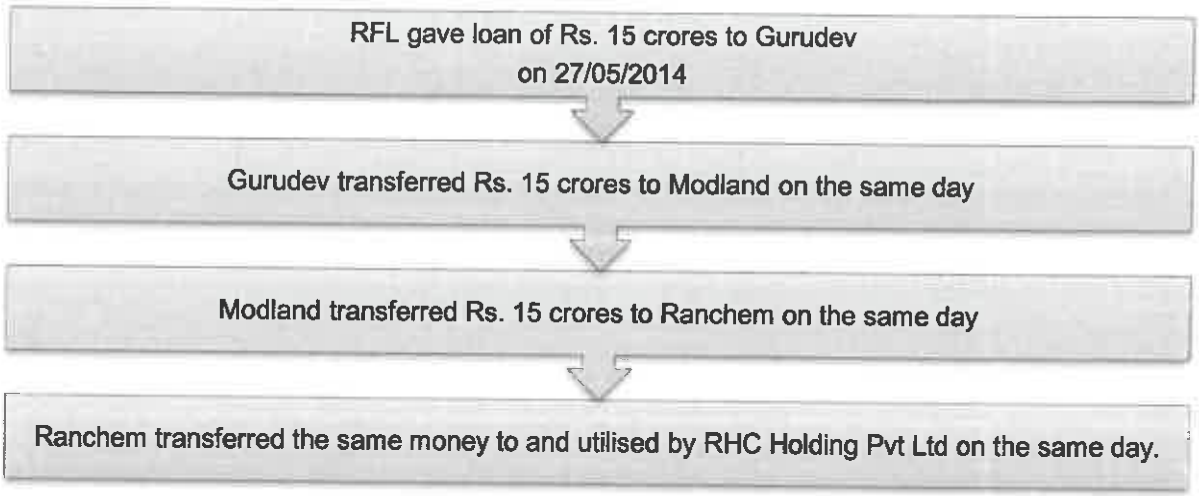
419. The Noticee No. 28 acted as borrower entity and contributed to diversion funds of RFL in following chain of transaction dated May 27, 2014:



420. The Noticee No. 28 had also taken a loan of Rs. 100 Crores from RFL on Augsut 21, 2015. Out of the said amount, the Noticee No. 28 transferred Rs. 75 Crores to Gurudev which utilised Rs. 74 Crores for repayment of earlier loans taken on May 23, 2014, May 26, 2014, May 27, 2014 and November 11, 2014. The loan of Rs. 15 Crores taken by Gurudev on May 27, 2014 was ultimately

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utilised for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) in the following manner:



421. On February 1, 2017, Sridham had taken a loan of Rs. 92.40 Crores from RFL and had transferred Rs. 26 Crores to the Noticee No. 28 which utilised the said amount for part repayment of aforesaid loan taken by the Noticee No. 28 from RFL on August 21, 2015.

Role of the Noticee No. 28 as conduit entity in diversion/mis-utilisation of funds of RFL:

422. It is alleged that the Noticee No. 28 acted as conduit entity and contributed to diversion/mis-utilisation of funds of RFL in the following manner:

(i) On August 25, 2015 loan of Rs. 90 Crores was given by RFL to Gurudev: On same day Gurudev transferred Rs. 85 Crores to the Noticee No. 28 which then transferred the said amount to Neelanchal Holding and Neelanchal utilised Rs. 84.5 Crores out of the Rs. 85 Crores for repaying the earlier loans of Rs. 33 Crores and Rs. 50 Crores taken by it from RFL on June 18, 2014 and June 27, 2014 respectively. Out of the aforesaid loans of Rs. 33 Crores and Rs. 50 Crores, Neelanchal Holding had transferred a total of Rs. 46.25 Crores through various layered entities to RHC Holding (wholly owned and controlled by Singh brothers).

(ii) On February 1, 2017 loan of Rs. 100 Crores was given by RFL to Annies Apparel: It is alleged that Annies Apparel transferred Rs. 50 Crores indirectly to the Noticee No. 28 which utilised the said amount for repayment of earlier loan taken from RFL.

Role of the Noticee No. 32 as conduit entity in diversion/mis-utilisation of funds of RFL:

423. It is alleged that the Noticee No. 32 acted as conduit entity in diversion of funds of RFL in the following manner:

(i) Loan of Rs. 90 Crores dated May 27, 2014 from RFL to the Noticee No. 28: In this loan, the Noticee No. 32 is alleged to have acted as conduit entity in diversion of funds of Rs. 10.5 Crores.

(ii) Loan of Rs. 33 Crores dated June 18, 2014 from RFL to Neelanchal Holding: It is alleged that, the Noticee No. 32 was involved as conduit entity in diversion of funds in respect of the said loan given to Neelanchal Holding.

424. In view of the involvement of the Noticee Nos. 28 and 32 in the aforesaid transactions, in the SCN it is alleged that, the said noticees acted as borrower/conduit entities and contributed to diversion/mis-utilisation of funds of REL through RFL to the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

425. The SCN was delivered to the Noticee No. 28 on February 20, 2022. As per request of the Noticee No. 28, vide e-mail dated November 12, 2021, opportunity of inspection was accorded to the Noticee No. 28 on November 24, 2021 which was not availed. Thereafter, a hearing notice dated December 6, 2021 was sent to the Noticee No. 28, pursuant to which the Noticee No. 28 sought opportunity of inspection. As per request of the Noticee No. 28, another opportunity of inspection was provided on January 14, 2022. After repeated adjournments requests, vide letter dated March 11, 2022 final inspection opportunity was provided to the Noticee No. 28 on March 17, 2022 and hearing opportunity was provided on March 30, 2022. On March 17, 2022, the Authorised Representative of the Noticee No. 28 duly carried out the inspection of documents. Thereafter, the Noticee No. 28 filed reply dated April 4, 2022 and availed hearing opportunity through webex fixed on April 26, 2022 through the Authorised Representative.

426. The SCN sent to the Noticee No. 32 returned undelivered, however, the Noticee No. 32 acknowledged the receipt of the SCN vide e-mail dated March 4, 2021. As per request of the

Noticee No. 32, vide e-mail dated November 12, 2021, opportunity of inspection was accorded to the Noticee No. 32 on November 24, 2021 which was not availed. Thereafter, a hearing notice dated December 6, 2021 was sent to the Noticee No. 32 at its Mumbai address available in record and the scanned copy of the said hearing notice was also sent to 'vsb.inv@gmail.com'. The said hearing notice returned undelivered nor any response was received on e-mail. Thereafter, another hearing notice dated January 25, 2021 was sent to the Noticee No. 32 at its Faridabad address (which was mentioned in the aforesaid e-mail dated March 4, 2021 received from the Noticee No. 32) fixing hearing on February 9, 2022 and the scanned copy of the said hearing notice was also sent to the aforesaid e-mail of the Noticee No. 32. The said notice also returned undelivered. However, the Noticee No. 32 sought annexures to the SCN vide e-mail dated February 8, 2022, even though in the e-mail dated March 4, 2021, the Noticee No. 32 had acknowledged the receipt of SCN and stated that it required time to file reply due to voluminous data. Hence, in the interest of justice, vide e-mail dated February 9, 2022, the Noticee No. 32 was directed to produce the valid address proof and collect the annexures from SEBI office on February 15, 2022. On the said date, authorised representative of the Noticee No. 32 collected the annexures from SEBI office and produced the address proof. Thereafter, vide digitally signed letter dated March 11, 2022, a hearing opportunity was provided to the Noticee No. 32 on March 24, 2022, pursuant to which vide e-mail dated March 16, 2022, the Noticee No. 32 again sought opportunity of inspection and also sought four weeks' time to file reply after conducting inspection. In the interest of justice, opportunity of inspection was provided on March 24, 2022 wherein the authorised representative duly carried out the inspection. Further, vide e-mail dated March 25, 2022, the Noticee No. 32 was directed to file reply by April 10, 2022 and the hearing was fixed on April 12, 2022 which was adjourned to April 19, 2022 and then to April 27, 2022. On April 27, 2022, through the Authorised Representative, the Noticee No. 32 availed the hearing opportunity through webex.

427. In their replies and in the hearing, the Noticee No. 28 and 32 filed replies *inter alia* as under:

(i) The SCN proceeds on erroneous assumption that the Noticee Nos. 28 and 32 are one of the intermediate conduit through which the funds were illegally transferred for the benefit of the erstwhile promoters of RFL. The said noticees have no connection with REL/RFL or its erstwhile promoters or its directors/erstwhile directors.

(ii) No specific transaction or finding has been recorded in SCN or FAR which brings the Noticee Nos. 28 and 32 in the ambit of being terms as an 'intermediate conduit entity'.

(iii) The allegations against the Noticee Nos. 28 and 32 is that they share common directors and had financial transactions with RFL and some of the other noticees in the matter.

(iv) The Competent Authority has failed to specify as to how any of the transactions mentioned in the extract of the Investigation Report are illegal, impermissible or were done in such manner which bring the Noticee Nos. 28 and 32 in the ambit of 'intermediate conduit entity'.

(v) The Ld. WTM order dated November 12, 2020 have not made the Noticee Nos. 28 and 32 necessary party and the investigation has been extended beyond the said order.

(vi) All the transactions recorded in the extract of the Investigation Report are genuine transactions and were done in regular course of business. Some transactions have been picked and chased wherein monies which were received in bank accounts of the Noticee Nos. 28 and 32 during normal course of business were utilised either in their business or to discharge their outstanding liabilities. How can repayment of loan amount would bring the said noticees in ambit of 'intermediate conduit entity'.

C. *Consideration of Allegations, Replies and Submissions*

428. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 28 and 32 and their replies/written submissions

429. The SCN specifically mentions that the Noticee Nos. 28 and 32 acted as borrower/conduit entities in the diversion/mis-utilisation of funds of RFL and the transactions which led to such diversion/mis-utilisation of funds have been explained in the extract of the Investigation Report and the FAR which were provided alongwith SCN which clearly establishes the role and extent of diverted/misutilised loan amouts in which the said noticees were involved. Therefore, the contention of the Noticee Nos. 28 and 32 that the SCN fails to prove as to how they came under the ambit of the intermediate conduit entity in diversion of funds of RFL, cannot be accepted.

430. The Noticee Nos. 28 and 32 have mentioned in their replies that the allegation against them is that they share common directors and that they had financial transactions with RFL and some of the other noticees in the matter, which is not correct. As already mentioned in the SCN read with the extract of the Investigation Report and FAR, the allegations against the said ntoicees have been made in respect of their role as conduit/borrower entity in the diversion of funds of REL through RFL

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for the benefit of the erstwhile promoters of REL/RFL and consequent mis-representation in consolidated financials of REL.

431. The Noticee Nos. 28 and 32 have also relied on the Ld. WTM order dated November 12, 2020. As already explained above, the reliance of the noticees on the said Order dated November 12,2020 is misplaced and untenable as the present adjudication proceedings against the noticees are not the substituted proceedings but fresh proceedings initiated on the completion of investigation in the matter. The present adjudication proceedings are independent in nature under the appropriate legal provisions of the laws.

432. The Noticee Nos. 28 and 32 have also contended that they were not related party to RFL/REL and SCN fails to prove that they were related party to RFL/REL. The said contention is not relevant, as the allegations against the said noticees have been made in respect of their role in diversion of funds of RFL. Further, the said noticees had a pre-existing financial relationship with RFL and some of the other noticees which clearly proves their pre-existing relationship with RFL and such other noticees. The said aspect of pre-existing financial relationship has not been denied by the said noticees. Further, the Noticee Nos. 28 and 32 are connected to each other as they share common director. Thus, the Noticee Nos. 28 and 32 are connected to RFL and some other noticees by virtue of their long running financial relationship.

Role of Noticee No. 28 as borrower in diversion of funds of RFL:

433. From the material available on record, I note that the Noticee No. 28 contributed diversion/mis-utilisation of funds of RFL in following manner:

(i) Loan of Rs. 90 Crores dated May 27, 2014 granted by RFL to the Noticee No. 28:
  (a) On May 27, 2014, the Noticee No. 28 transferred Rs. 10.5 Crores to the Noticee No. 32, Rs. 53.50 Crores to Yashodham and Rs. 24 Crores to Sridham.
  (b) The Noticee No. 32 transferred Rs. 10.5 Crores to Modland. Further, Yashodham transferred Rs. 33.5 Crores to Sridham and Rs. 20 Crores to Modland through TCK Finance.
  (c) Sridham transferred Rs. 57.5 Crores to Best Healthcare which transferred it to RHC Holding. Modland transferred Rs. 30.5 Crores to RHC Holding.
  (d) Hence, the Noticee No. 28 contributed in diversion of funds of Rs.88 Crores for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers). It is

observed that the Noticee No. 28 had repaid Rs. 62 Crores out the aforesaid loan of Rs. 90 Crores taken from RFL on May 27, 2014, by utilising the funds indirectly received from RFL as explained in part relating to A&A Capital and Modland.

(ii) Loan of Rs. 100 Crores granted by RFL to the Noticee No. 28 on August 21, 2015:

(a) The Noticee No. 28 transferred Rs. 75 Crores to Gurudev which utilised Rs. 75 Crores for repayment of earlier loans of Rs. 2 Crores, Rs. 53 Crores, Rs. 15 Crores, and Rs 4 Crores taken by Gurudev from RFL on May 23, 2014, May 26, 2014, May 27, 2014 and November 11, 2014 respectively.

(b) The loan of Rs. 15 Crores taken by Gurudev on May 27, 2014 was ultimately transferred to RHC Holding (wholly owned and controlled by Singh brothers), through Modland and Ranchem.

(c) Therefore, the Noticee No. 28 acted as borrower entity in diversion of funds of Rs. 15 Crores of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and also contributed to mis-utilisation of funds of Rs. 59 Crores (Rs. 74 Crores- Rs. 15 Crores) which was utilised by Gurudev for repayment of aforesaid loans taken from RFL.

(d) Further, the Noticee No. 28 had utilised an amount of Rs. 26 Crores received indrecity from RFL (through Sridham which received loan of Rs. 92.4 Crores from RFL on February 1, 2017) for part repayment of aforesaid loan of Rs. 100 Crores taken from RFL on August 21, 2015.

434. Thus, the Noticee No. 28 as a borrower entity contributed to diversion of funds of Rs. 103 Crores (Rs.88 Crores + Rs. 15 Crores) for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation of funds of Rs. 59 Crores utilised by Gurudev for repayment of earlier loan.

Role of Noticee No. 28 as conduit entity in diversion/mis-utilisation of funds of RFL:

435. From the material available on record, it is observed that the Noticee No. 28 acted as conduit entity in diversion/mis-utilisation of funds of RFL in following manner:

(i) Loan of Rs. 90 Crores dated August 25, 2015 from RFL to Gurudev: Out of the said loan, Gurudev transferred Rs. 85 Crores to the Noticee No. 28 which transferred Rs. 84.5 Crores out of the said amount to Neelanchal Holding which utilised the said amount to repay its

earlier loans of Rs. 33 Crores and Rs. 50 Crores taken from RFL on June 18, 2014 and June 27, 2014. As explained in part relating to Neelanchal, out of the said amounts, a total amount of Rs. 46.25 Crores was ultimately utilised for the benefit of RHC Holding (wholly owned and controlled by Singh brothers). Hence, the Noticee No. 28 acted as conduit entity in diversion of funds Rs. 42.65 Crores for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and .

(ii) Loan of Rs. 100 Crores dated RFL to Annies Apparel on February 1, 2017:

(a) Further, the bank account statement shows that Annies Apparel transferred Rs. 50 Crores to Modland which transferred the same to the Noticee No. 28.

(b) The Noticee No. 28 used the aforesaid amount of Rs. 50 Crores (as part of Rs. 86 Crores) for part repayment of earlier loan of Rs. 100 Crores taken from RFL on August 25, 2015.

(c) Hence, the Noticee No. 28 mis-utilised amount of Rs. 50 Crores of RFL for repayment of earlier loans taken from RFL itself.

(iii) Loan of Rs. 92.4 Crores from RFL to Sridham: As mentioned above, out of the said loan, Rs. 26 Crores were transferred to the Noticee No. 28 which utilised the said amount for part repayment of earlier loan of Rs. 100 Crores taken by it from RFL on August 21, 2015 as explained baove. As mentioned above, Rs. 15 Cores out of the said Rs. 100 Crores were indirectly transferred to RHC Holding. Thus, remaining Rs. 11 Crores (26 Crores- 15 Crores) can be considered as misutilisation by the Noticee No. 28 for repayment of earlier loan taken from RFL itself.

436. In view of the aforesaid, the Noticee No. 28 acted as conduit entity in diversion of funds of Rs. 46.25 Crores of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and in mis-utilisation of funds of Rs. 38.25 Crores (84.5 Crores-46.25 Crores), Rs. 50 Crores and Rs. 11 Crores of RFL which were utilised by the Noticee No. 28 for repayment of earlier loan taken from RFL itself.

Role of Noticee No. 32 as conduit entity in diversion of funds of RFL:

437. From the material available on record, it is observed that the Noticee No. 32 acted as conduit entity in diversion of funds of RFL in following manner:

(i) Loan of Rs. 90 Crores dated May 27, 2014 from RFL to the Noticee No. 28: As already explained above, out of the said amount, the Noticee No. 28 transferred Rs. 10.5 Crores to the Noticee No. 32 which then transferred the said amount to Modland which then transferred the said amount (part of Rs. 45 Crores) to Ranchem which transferred it to RHC Holding. Hence, the Notice No. 32 had played role in diversion of funds of Rs. 10.5 Crores of RFL for the benefit of RHC Holding (wholly owned and controlled by Singh brothers).

(ii) Loan of Rs. 33 Crores dated June 18, 2014 from RFL to Neelanchal Holding: Neelanchal Holding transferred Rs. 23 Crores to Sirdham which then transferred Rs. 5.3 Crores to the Noticee No. 32 which transferred the said amount to Ad Advertising. Thereafter, Ad Advertising transferred Rs. 25.25 Crores (including Rs. 5.3 Crores received from the Noticee No. 32) to RHC Holding. Hence, the Noticee No. 32 acted as conduit entity in diversion of funds of Rs. 5.3 Crores of RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

438. Thus, the Noticee No. 32 acted as conduit entity in diversion of funds of Rs. 15.8 Crores (Rs. 10.5 Crores + Rs. 5.3 Crores) of RFL for ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

439. The Noticee Nos. 28 and 32 have not denied the aforesaid transactions and have contended that the said transactions were in the normal course of business, were used for repayment of loans and were not illegal or impermissible. In this regard, the Noticee Nos. 28 and 32 have not placed any evidence in form of any loan agreement or any kind of agreement, to show that the transactions were in normal course of business. I am not able to fathom as to why would the Noticee Nos. 28 and 32 indulge in crores of loan transactions without any documents backing the said transactions. Further, it cannot be a coincidence that when a loan is granted to RFL, on very same day the amount or part of amount is either diverted for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) or is utilised for payment of earlier loans taken from RFL itself. This clearly shows that the transactions were not genuine and were only intended to transfer funds for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) or for repayment of earlier loans.

440. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

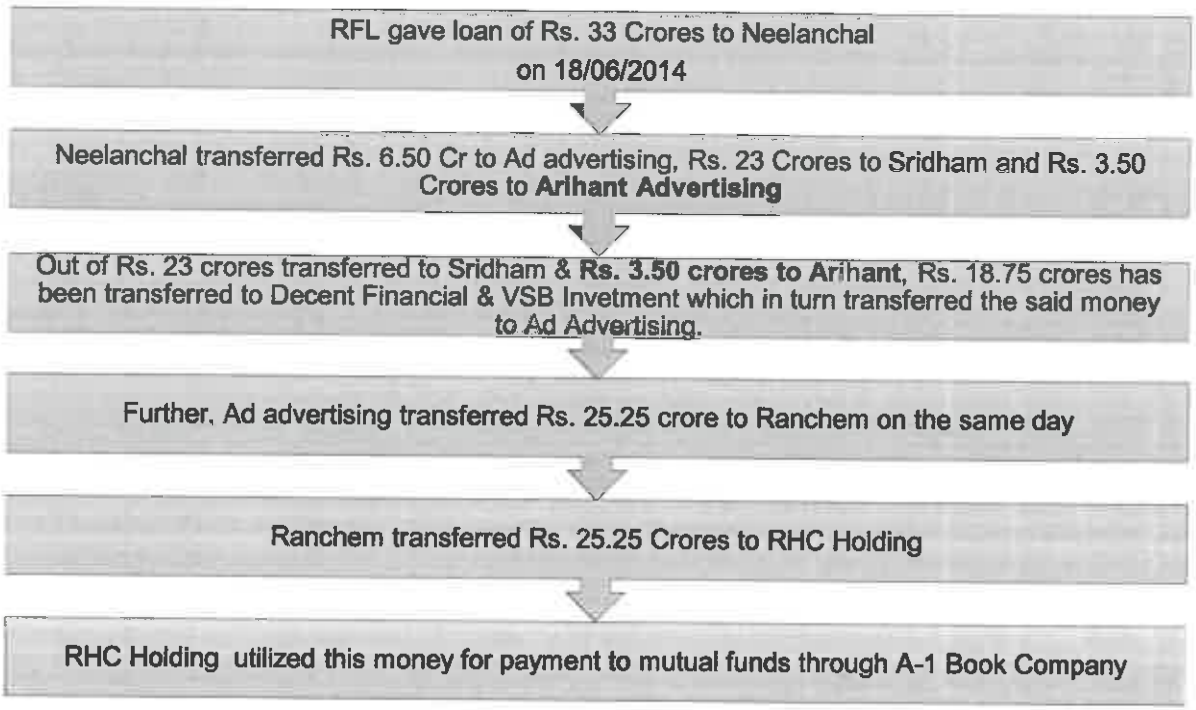
441. Thus, I conclude that the Noticee No. 28 acted as borrower entity in diversion of funds of Rs. 103 Cores of RFL for the benefit of (wholly owned and controlled by Singh brothers). Further,

the Noticee No. 28 also acted as conduit entity in diversion of funds of Rs. 46.25 Cores of RFL for the benefit of RHC Holding (wholly owned and controlled by Singh brothers) and mis-utilisation of funds of Rs. 99.25 Crores (38.25 Crores+50 Crores+11Crores) of RFL which were utilised for repayment of earlier loans from RFL itself. The Noticee No. 32 acted as conduit entity in diversion of funds of Rs. 15.8 Crores in diversion of funds RFL for ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

ARIHANT ADVERTISING PRIVATE LIMITED (NOTICEE NO. 30)

A. Sum and Substance of the Allegations

442. It is alleged that Arihant Advertising Private Limited. **(Arihant/Noticee No. 30)** acted as conduit entity in loan of Rs. 33 Crores granted by RFL to Neelanchal on June 18, 2014. The utilisation of the loan of Rs. 33 Crores taken by Neelanchal on June 18, 2014 is mentioned under:



B. Service of SCN and subsequent replies

443. The SCN dated February 15, 2021 providing opportunity to file reply within 14 days, was sent to Arihant at the address mentioned on MCA website i.e. "*5/25, T/F, West Patel Nagar, Delhi – 110008*", and the same was delivered on February 20, 2021. No reply was filed.

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444. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, fixing the hearing on September 06, 2021, and providing another opportunity to file reply by September 03, 2021, was sent to Arihant at the aforesaid address and the same was delivered on August 16, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

445. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that the Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

446. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 30. The documents annexed to the SCN does not establishes the fund trail as alleged above against the Noticee No. 30.

447. From the bank statement of Sridham it was observed that it had transferred Rs. 13.45 Crores to Decent and Rs. 5.3 Crores to VSB Investment (totalling to Rs. 18.75 Crores). Therefore, it is noted that Rs. 3.5 Crores transferred to Arihant was not used in Rs. 25.25 transferred to Ad Advertising.

448. Therefore, I note that the Noticee No. 30 had not acted as conduit entity in RFL's loan to A&A Capital, as explained above. The investigation report mentions no further diversion of fund from Arihant's bank account to any other entity.

CAROL SECURITIES PRIVATE LIMITED (NOTICEE NO. 31)

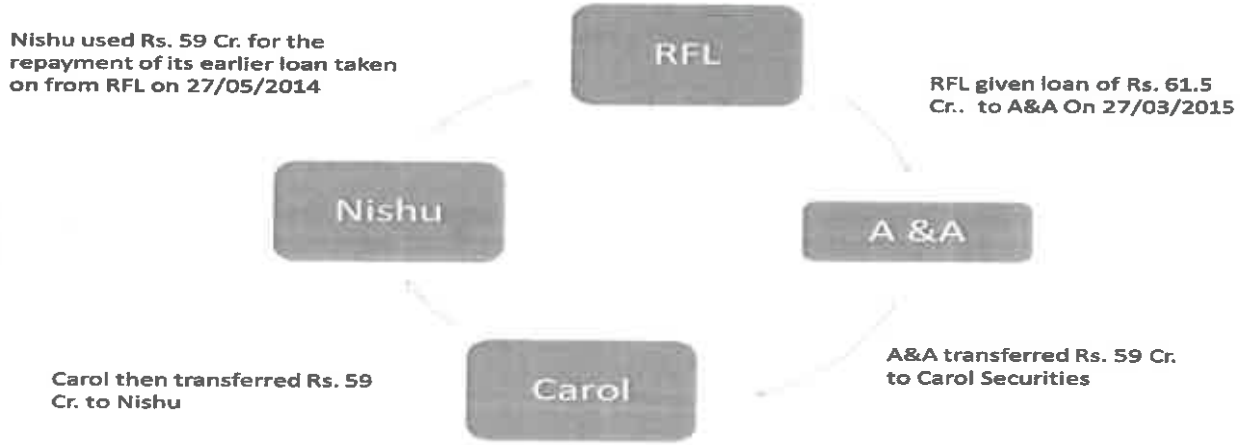
A. Sum and Substance of the Allegations

449. It is alleged that Carol Securities Private Limited (Carol/Noticee No. 31) acted as a conduit entity in RFL's loan to A&A Capital. These loans were utilized for the ultimate benefit of promoter group entities.

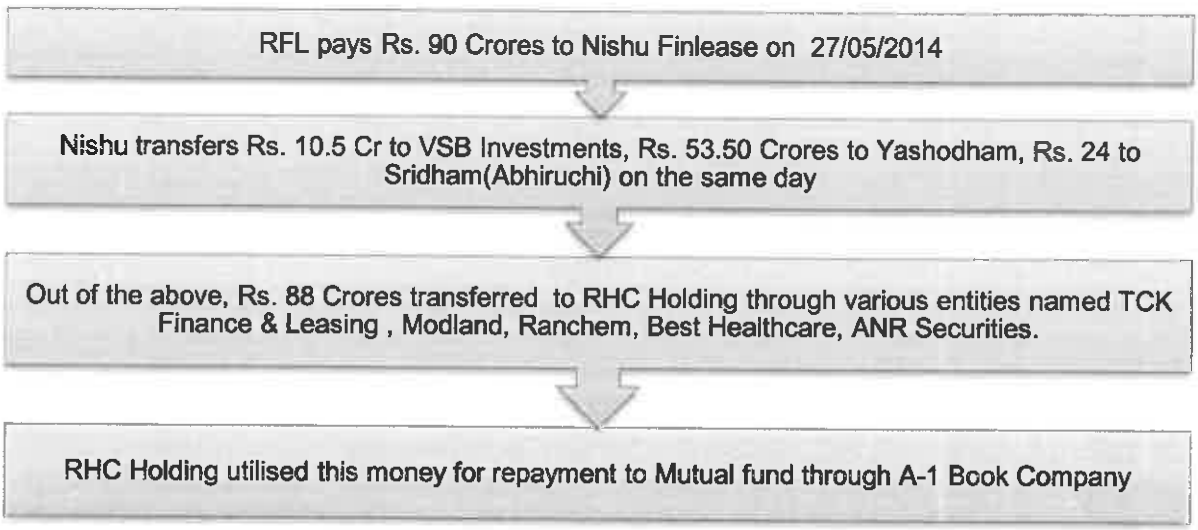
Carol's role as conduit entity in RFL's loan to A&A Capital

450. RFL gave a loan of Rs. 61.50 Crores to A&A Capital on March 27, 2015. In turn, A&A capital transferred 59 Crores to Nishu Finlease through **Carol**, 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: -



451. Utilisation of the loan given by RFL to Nishu on May 27, 2014 is as follows-



452. Hence, it is alleged that Carol acted as conduit entity and facilitated diversion of Rs. 59 Crores in RFL's loan to A&A Capital.

453. In the SCN it is alleged that, Carol had acted as borrower entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

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B. Service of SCN and subsequent replies

454. The SCN dated February 15, 2021 was sent to Carol at the address mentioned on the MCA website i.e. "*105, First Floor, South Ex Plaza-II, South Ex Part-II, South Delhi, New Delhi – 110 049*", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Carol. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

455. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

456. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 31. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 31. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

457. From the analysis of the fund trail, bank statements and the documents, I note that the Noticee No. 31 had acted as conduit entity and facilitated diversion of Rs. 59 Crores of funds of RFL to RHC Holding in respect of RFL's loan to A&A capital, as mentioned above.

458. Therefore, I conclude that the Noticee No. 31, Carol acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion of funds of REL through RFL.

YASHODHAM MERCHANTS PRIVATE LIMITED (NOTICEE NO. 33)
TCK FINANCE AND LEASING PRIVATE LIMITED (NOTICEE NO.37)
KALYAN VYAPAAR PRIVATE LIMITED (NOTICEE NO.39)
SPINSTAR FINVEST PRIVATE LIMITED (NOTICEE NO.40)
SYMPHONY MERCHANTS PRIVATE LIMITED (NOTICEE NO.41)

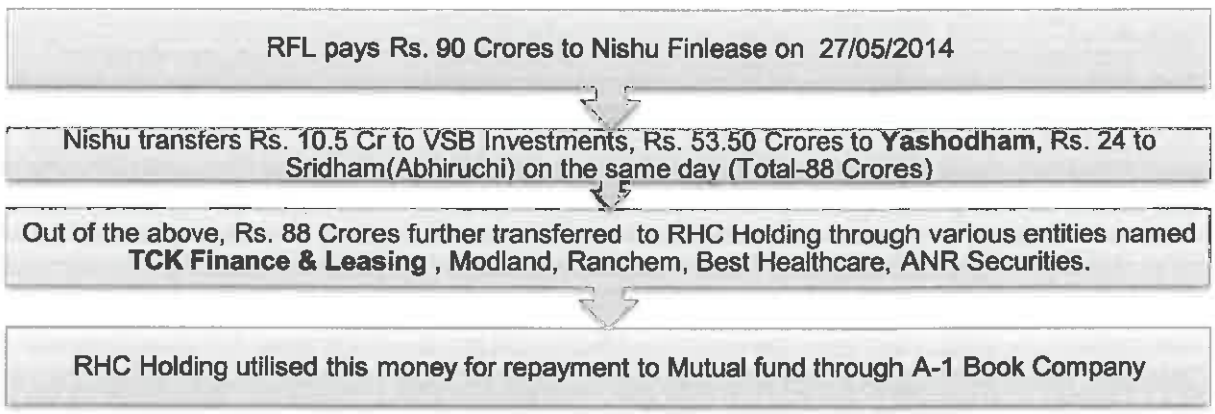
459. Yashodham Merchants Private Limited (noticee no. 33), TCK Finance and Leasing Private Limited (noticee no.37), Kalyan Vyapaar Private Limited (noticee no.39), Spinstar Finvest Private Limited (noticee no.40), Symphony Merchants Private Limited (noticee no.41) have filed replies on the similar lines, were granted opportunity of hearing at same time, were represented by a common authorized representative, have addresses in same co-opearative socities and were also involved in some common chain of transactions. Therefore, it is felt appropriate to deal with the allegations and replies of the said noticees at one place.

A. Sum and Substance of the Allegations

460. It is alleged that the Noticee Nos. 33, 37, 39, 40 and 41 acted as borrower/conduit entities in diversion/mis-utilisation of funds of RFL.

Role of the noticee No. 33 and 37 in diversion/mis-utilisation of funds of RFL

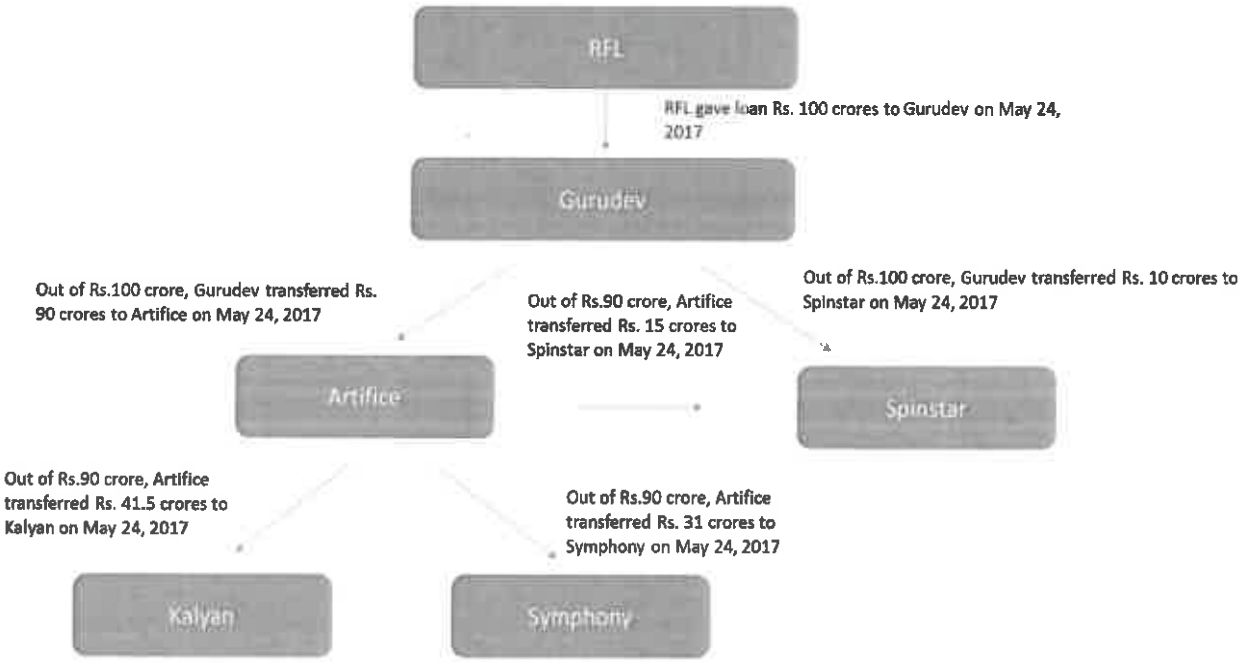
461. It is alleged that Noticee Nos. 33 and 37 were involved as conduit entities in the following chain of transactions which led to diversion of funds of RFL to RHC Holding (wholly owned and controlled by Singh brothers):



462. Further, in respect of loan of Rs. 85 Crores granted by RFL to Tara Alloys on May 24, 2017, it is alleged that the Noticee No. 33 utilised Rs. 26 Crores for repayment of an earlier loan taken from RFL.

Role of 39, 40 and 41 in diversion/mis-utilisation of RFL

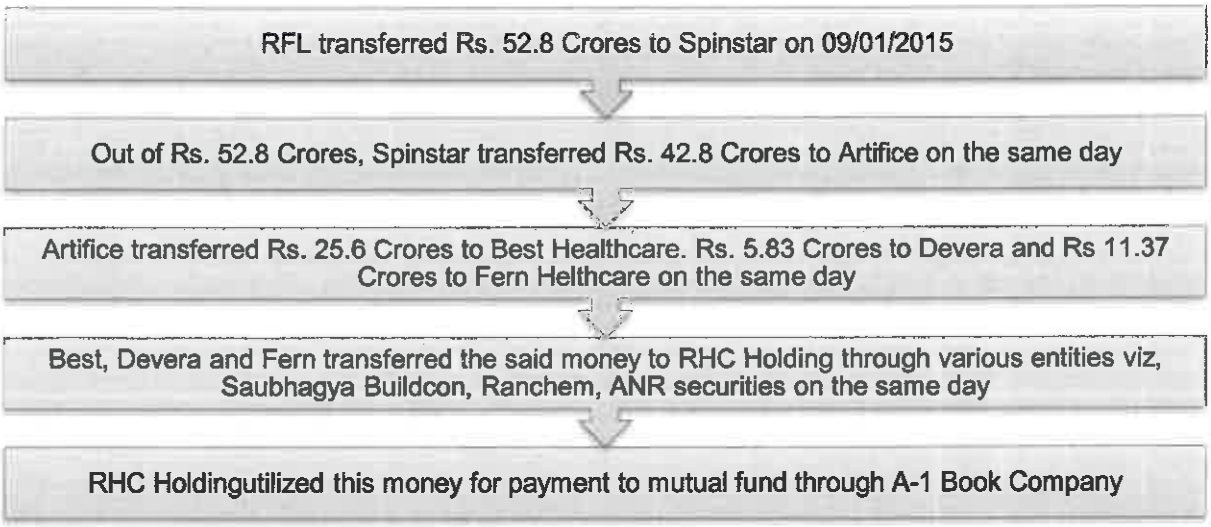
463. As regards Noticee Nos. 39, 40 and 41, the said noticees were involved in following chain of transactions:



464. In respect of the Noticee No. 39 (Kalyan), it is alleged that, the said Noticee used the aforesaid amount of Rs. 41.5 Crores for repayment of the earlier loan of Rs. 51.5 Crores taken by Noticee No. 39 from RFL on December 17, 2015. The flow of funds of the said Rs. 51.5 Crores is as under:



465. From the above, it is alleged that Noticee No. 40 (Spinstar) had utilised the aforesaid amount of Rs. 50 Crores to repay the loan taken by Noticee No. 40 from RFL on January 9, 2015. The flow of funds of the said loan is as under:



466. It is also alleged that the Noticee No. 40 utilized the funds of RFL for repayment of the earlier loans taken by the Noticee No. 40 from RFL in following manner:

(i) In respect of the aforesaid chain of transaction of loan by RFL to Gurudev on May 24, 2017, it is alleged that the Noticee No. 40 utilised Rs. 25 Crores (Rs. 10 Crores directly from Gurudv and Rs. 15 Crores indirectly from Gurudev through Artifice) for repayment of earlier loan taken by it from RFL.

(ii) In respect of the loan of Rs. 100 Crores dated February 1, 2017 granted by RFL to Annies Apparel, it is alleged that the Noticee No. 40 utilised the amount of Rs. 25 Crores for repayment of earlier loan taken by it from RFL.

467. It is alleged that, the Noticee No. 41 utilised the amount of Rs. 31 Crores indirectly received by from Gurduev (as mentioned above) for repayment of earlier loan taken by it from RFL.

468. In view of the involvement of the Noticee Nos. 33, 37, 39, 40 and 41 in the aforesaid transactions, in the SCN it is alleged that, the said noticees acted as borrower/conduit entities and contributed to diversion/mis-utilisation of funds of REL through RFL to the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

469. The SCN was delivered to the Noticee No. 33, 39, 40 and 41 by SPAD on February 19, 2021. The SCN to the Noticee No. 37 was undelivered, however, the Noticee No. 37 acknowledged the receipt of SCN and had filed a reply as well. Thereafter, hearing notices dated August 6, 2021 were issued to the said five noticees granting them opportunity of hearing on August 24, 2021 which was adjourned to September 1, 2021. On the said date of hearing, the said five noticees were represented by a common authorised representative. After the hearing, the common representative of the said five noticees filed a common additional submission on behalf of the said five noticees. In their replies/submissions and during the hearing, the said five noticees made following common submissions:

(i) Noticee Nos. 33, 37 and 39 to 41 has contended that they have no role to play in diversion of funds of RFL as mentioned in the SCN.

(ii) Further, the aforesaid five noticees have contended that all the transactions with the entities mentioned in the extract of Investigation Report are in nature of pure commercial transactions and no reasons have been provided why such transactions are illegal in nature.

(iii) It is also contended by the five noticees that they had no relation with REL/RFL or their erstwhile promoters except that the Noticee Nos. 33 and 39 are group companies of Noticee No. 40 (as stated by Noticee No. 40), Noticee No. 41 is group company of Noticee No. 33 (as stated by Noticee No. 33) and Noticee No. 37 is group company of Noticee No. 40 (as stated by Noticee No. 37).

(iv) The aforesaid five noticees have placed reliance on the WTM Order dated November 12, 2020 passed in the matter vide which the then ongoing proceedings under section 11/11B against 16 entities (who are noticees in the current proceedings) was substituted with the adjudication proceedings. The said five noticees have contended that the said WTM Order dated November 12, 2020 did not approve adjudication proceedings against them still the SCN has been issued to them.

(v) The five noticees have also contended that some of the loans have been repaid by them and interest has also been paid on them. Further, for other loans recovery certificate has been issued against them for recovery of such loans.

(vi) The five noticees have contended that no transactions have been made in the securities market and no dealing has been done therefore they are not liable for the violations of PFUTP Regulations. In this regard, the five noticees have referred to order of the Hon'ble Securities Appellate Tribunal in KSL & Industries Vs. The Chairman, SEBI [Appeal No. 9/2003] and the order of the Hon'ble Supreme Court dated September 20, 2017 in SEBI Vs. Kanaiyalal

Baldevbhai Patel [2017] 15 SCC, wherein the Hon'ble Supreme Court of India has dealt with the concept of fraud in SEBI (PFUTP) Regulations, 2003.

C. *Consideration of Allegations, Replies and Submissions*

470. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 33, 37, 39, 40 and 41 and their replies/written submissions

471. The Noticees No. 33 ,37,39,40 and 41 have relied on the learned WTM Order dated November 12, 2020 in the matter of REL and have contended that since their name was not mentioned in the said order, SCN could not have been issued to them. As already noted above, the reliance of the noticees on the said Order dated November 12, 2020 is misplaced and untenable as the present adjudication proceedings against the noticee are not the substituted proceedings but fresh proceedings initiated on the completion of investigation in the matter. The present adjudication proceedings are independent in nature under the appropriate legal provisions of the laws. Therefore, the said contention of the noticees has no merit.

Role of Noticee No. 33 and 37

472. As regards the Noticee No. 33 and 37, as mentioned above, the said noticees had acted as conduit entities in diversion of funds of RFL in chain of transaction dated May 27, 2014. From the material available on record, it is noted that:

(i) On May 27, 2014 RFL had given a loan of Rs. 90 Crores to Nishu Finlease which transferred Rs. 53.50 Crores to the Noticee No. 33.

(ii) Thereafter, the Noticee No. 33 transferred Rs. 20 Crores to the Noticee No. 37 and Rs. 33.5 Crores to Sridham.

(iii) The amount of Rs. 33.50 Crores transferred by the Noticee No. 33 to Sridham ultimately reached RHC Holding through various layered entities.

(iv) Further, the amount of Rs. 20 Crores transferred by the Noticee No. 33 to Noticee No. 37 also ultimately reached RHC Holding through various layered entities.

473. Further, on May 24, 2017, RFL had granted a loan of Rs. 85 Crores to Tara Alloy which transferred Rs. 26 Crores to the Noticee No. 33. From the material available on record, it is observed that the Noticee No. 33 utilised the Rs. 26 Crores (Rs. 25 Crores principle and Rs. 1 crore interest)

for repayment of earlier loan of Rs. 25 Crores taken by the Noticee No. 33 on December 18, 2015. Even though the said amount was paid on May 24, 2017, the ledger book of the Noticee No. 33 captures the date of said payment as April 28, 2017. This shows that a false picture was given that the Noticee No. 33 had already repaid the amount on April 28, 2017. This also proves that the said transactions were not genuine and shows that the loans were rolled over. By taking in to consideration the overall chain of transactions coupled with inter connected transactions among the notices clearly show that the transactions were not intended to be genuine loan transactions.

474. The Noticee Nos. 33 and 37 have not denied the aforesaid transactions. Therefore, it is clear that the Noticee Nos. 33 and 37 acted as conduit entities in diversion of funds of Rs. 53.50 Crores and Rs. 20 Crores respectively of RFL to RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 33 also mis-utilised the funds of Rs. 26 Crores of RFL for repayment of earlier loan taken by it from RFL itself.

Role of Noticee Nos. 39 and 40

475. As regards the Noticee Nos. 39 and 40, the said noticees were involved in the chain of transaction explained above as borrower/conduit entities in the following manner:

(i) On May 24, 2017 the Noticee No. 39 utilised the amount of Rs. 41.5 Crores (out of Rs. 44 Crores) received from RFL through various layered entities for part repayment of earlier loan of Rs. 51.5 Crores taken by it from RFL on December 17, 2015.

(ii) The Noticee No. 39 transferred the aforesaid amount of Rs. 51.5 Crores to Noticee No. 40 which utilised Rs. 50 Crores out of the said amount for part repayment of its earlier loan of Rs. 52.8 Crores taken from RFL on January 9, 2015.

(iii) On January 9, 2015, the Noticee No. 40 had received loan of Rs. 52.8 Crores from RFL. The said amount of Rs. 52.8 Crores has been utilised by the Noticee No. 40 as under:

(a) On January 9, 2015, the Noticee No. 40 transferred Rs. 42.8 Crores to Artifice which transferred Rs. 25.6 Crores to Best Healthcare, Rs. 5.83 Crores to Devera and Rs. 11.37 Crores to Fern Healthcare on same day.

(b) From the material available on record, it is observed that after receiving Rs. 25.6 Crores from Artifice, Best Healthcare transferred Rs. 82.9 Crores to Ranchem on the same day. Thereafter, Ranchem transferred the said amount to to RHC Holding on very same day.

(c) Further, in respect to amounts of Rs. 5.83 Cores transferred to Devera and Rs. 11.37 Crores transferred to Fern, the said amounts were also ultimately transferred to RHC Holding through various layered entities.

(d) Therefore, the Noticee No. 40 acted as borrower entity in respect of diversion of Rs. 42.8 Crores to RHC Holding (wholly owned and controlled by Singh brothers).

476. Hence, the Noticee Nos. 39 and 40 acted as borrower/conduit entities in diversion of funds of Rs. 42.8 Crores to RHC Holding (wholly owned and controlled by Singh brothers).

477. From the chain of transaction of loan dated May 24, 2017 received by Gurudev from RFL, it is observed the Noticee No. 40 received Rs. 25 Crores (Rs. 10 Crores directly from Gurudev and Rs. 15 Crores indirectly from Gurudev through Artifice). In this regard, from the material available on record, it is observed that the said amount of Rs. 25 Crores was utilised by the Noticee No. 40 for part repayment of an earlier loan of Rs. 50 Crores taken by the Noticee No. 40 on December 18, 2015. This gives an inference that the portion of loan given to Gurudev on May 24, 2017 was actually utilized for the purpose of rollover of earlier loan. The ledger details of the Noticee No. 40 captured the said repayment of Rs. 25 Crores on April 28, 2017 even though the said funds were actually transferred on May 24, 2017. This shows that a false picture was given that the amount was already paid on April 28, 2017 which also shows that transactions were not genuine in nature.

478. I note that Annies Apparel had taken a loan of Rs. 100 Crores from RFL on February 1, 2017. In respect of the said loan, from the material available on record, it is observed that:

(a) On February 1, 2017, Annies Apparel transferred Rs. 90 Crores to Modland which transferred Rs. 25 Crores to Gurudev.

(b) On February 1, 2017, Gurudev transferred Rs. 25 Crores to the Noticee No. 40. The Noticee No. 40 utilised the said amount of Rs. 25 Crores for part repayment of an earlier loan of Rs. 50 Crores taken by the Noticee No. 40 on December 18, 2015. This gives an inference that the loan given to Annies Apparel on February 1, 2017 was utilised by the Noticee No. 40 for the purpose of rollover of an earlier loan taken from RFL itself.

479. The Noticee Nos. 39 and 40 have not denied the aforesaid chain of transactions. Therefore, it is clear that, the Noticee Nos. 39 and 40 acted as borrower/conduit entity in diversion/mis-utilisation of funds of Rs. 42.8 Crores of RFL to RHC Holding (wholly owned and controlled by Singh

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brothers). Further, the Noticee No. 40 also acted as conduit entity and mis-utilised the funds of Rs. 50 Crores of RFL for repayment of an earlier taken by it from RFL itself.

Role of Noticee No. 41

480. As regards the Noticee No. 41, from the chain of transactions I note that it had received Rs. 31 Crores from Gurudev on May 24, 2017 through various layered entities (Rs. 31 Crores was part of Rs. 90 Crores loan taken by Gurudev from RFL on May 24, 2017). From the material available on record, it is observed that, the amount of Rs. 31 Crores was actually utilised by the Noticee No. 41 for repayment of earlier loans taken by the Noticee No. 41 on February 2, 2015 and December 21, 2015. Hence, the Noticee No. 41 mis-utilised the funds of Rs. 31 Crores of RFL for repayment of earlier loans taken by the Noticee No. 41 from RFL itself. This again gives an inference that the portion of loan given to Gurudev on May 24, 2017 was actually utilized for the purpose of rollover of earlier loan. I further note that the ledger details of the Noticee No. 41 captured the said repayment of Rs. 31 Crores on April 28, 2017, even though the said funds were actually transferred on May 24, 2017. This shows that a false picture was given that the amount was already paid on April 28, 2017 which also shows that transactions were not-genuine and that the loans were rolled over. Therefore, the Noticee No. 41 acted as conduit entity in mis-utilisation of funds of Rs. 31 Crores of RFL.

Common contentions of the Noticee Nos. 33,37,39-41

481. In support of the contention that the Noticee Nos. 33,37,39-41 had financial transactions with other entities which were genuine and purely business transactions, the said noticees have provided various documents such the details of transactions and utilisations of funds/loans received from other entities. From the perusal of the said documents, it is observed that the documents provided appears to be copy of unsigned ledger documents which has not been reviewed/verified by any auditor or any independent sources which cast aspersions on the genuineness of the documents/transactions and cannot be taken into consideration.

482. Further, from the documents submitted by the Noticee Nos. 33,37,39-41 various transactions have been observed with other noticees of the same group company which although may not be illegal per se but raised considerable doubt on the authenticity of the transactions. It is not fathomable as to how come registered NBFCs which are in the business of money lending/financing

and part of the same group were lending to each other with interest and sustaining their businesses particularly when the financial position of the noticees is not comparable to the magnitude of transactions which are in crores. Further, no plausible explanation has been given by the said noticees for their involvement in the aforesaid transactions involving crores of rupees among the noticees.

483. The noticees have contended that they had repaid all the loans with interest from their own or borrowed funds to some of the entities and have failed to pay the loans to some entities due to their financial difficulties. In support of their contention, the noticees have provided notices for demand of loans issued by the various lending entities. After perusal of the said notices of demand, for all the notices issued there is no proof of service of delivery of the notice and the same is not verifiable by independent sources casting doubts on the genuineness of the documents. Notwithstanding the same, all the notices for demand of loans are single page document in a standard format common to all the noticees. Moreover, all the notices for demand of loans have been issued on same date i.e. September 11, 2018 for all the noticees before me and copies of all such notices were sent to RFL.

484. It cannot be a mere coincidence that five entities of a same group received notice for demand from other entities on the same day in the same format and all the notices have been copied to the main entity RFL. On one hand the noticees are contending that they have obtained loans from various entities but are unaware about their relation with REL/RFL whereas on other hand the notice for demand of loans are all copied to RFL. This whole arrangement appears to be not-genuine and afterthought just to disguise non-genuine transactions involving diversions of funds through them as genuine business transactions.

485. Further, support of their contention that loans are genuine and purely business relationships, the noticees have provided proof of deduction of TDS on the interests paid. I have perused the document provided in support of deduction of TDS and note that the noticees have not provided the TDS certificate issued by Income Tax department and have only provided the calculation of the TDS amount on an excel sheet claiming to be their book of accounts, which is as observed above cannot be relied upon.

486. The noticees have claimed that they have executed Loan agreements with respective parties for each and every transaction of borrowing and lending of money. However, no loan agreement

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has been provided to support their contention and it cannot be relied upon merely based on their oral submissions without any written verifiable proof.

Conclusion on role of Noticee Nos. 33,37,39-41

487. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

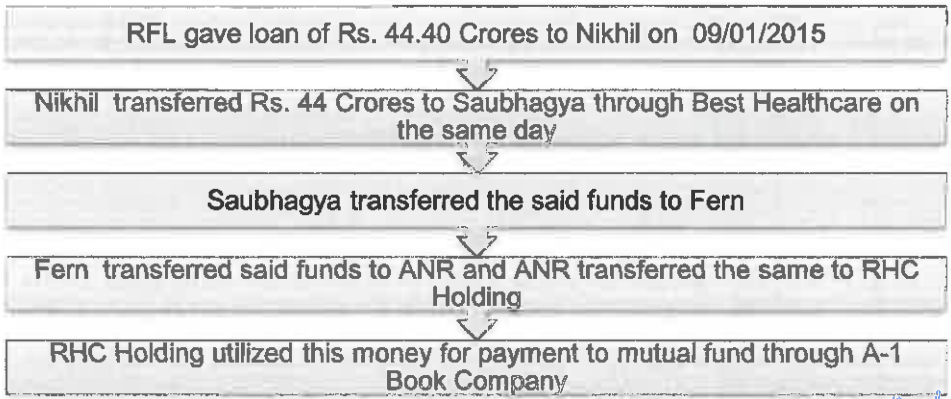
488. In view of the aforesaid and based on the material available on record, I note that the Noticee Nos. 33 acted as conduit entity in diversion of funds of Rs. 53.50 Crores of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers) and the Noticee No. 37 acted as conduit entity in respect of diversion of Rs. 20 Crores of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 33 also acted as conduit entity and mis-utilised the funds of Rs. 26 Crores for repayment of an earlier loan taken by it from RFL itself.

489. Further, the Noticee Nos. 39 and 40 acted as borrower/conduit entity in diversion of funds of Rs. 42.8 Crores of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers). Further, the Noticee No. 40 mis-utilised Rs. 50 Crores and the Noticee No. 41 mis-utilised Rs. 31 Crores of RFL for repayment of earlier loans taken by them from RFL itself.

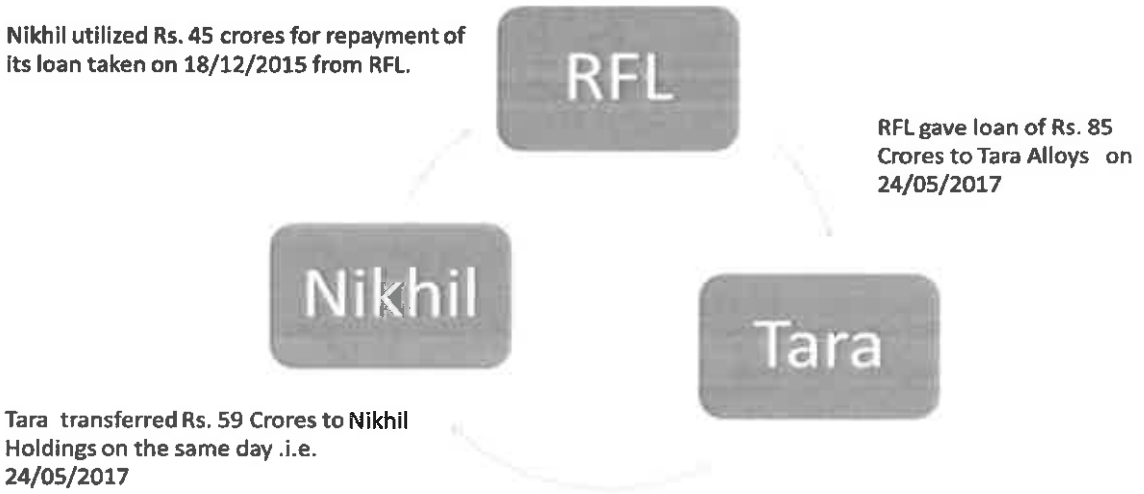
NIKHIL HOLDINGS PRIVATE LIMITED (NOTICEE NO. 34)

A. Sum and Substance of Allegations

490. It is alleged that the Noticee No. 34 acted as borrower entity in following chain of transaction which led to diversion of funds:



491. Further, the aforesaid loan taken by the Noticee No. 34 from RFL on January 9, 2015, the Noticee No. 34 took a loan of Rs. 45 Crores from Devera Developers on December 14, 2015. The Noticee No. 34 had taken a loan of Rs. 45 Crores from RFL on December 18, 2015 and used the said amount to repay the loan of Rs. 45 Crores taken from Devera Developers on December 14, 2018. In order to repay the said loan of Rs. 45 Crores taken by the Noticee No. 34 from RFL on December 18, 2015, the Noticee 34 took a loan of Rs. 59 Crores from Tara Alloys on May 24, 2017. The involvement of the Noricee No. 34 in the said transactions is mentioned under:



492. In view of the aforesaid, it is alleged that, Noticee No. 34 had acted as a borrower entity and contributed to diversion/mis-utilisation of funds of REL through RFL to the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

493. The SCN was delivered to the Noticee No. 34 by SPAD on February 22, 2021. Pursuant to the same, the Noticee No. 34 filed reply dated March 24, 2021. Thereafter, vide hearing notice dated August 12, 2021 an opportunity of hearing was provided to the Noticee No. 34 on September 8, 2022 which as per request of the Noticee No. 34 was adjourned to September 22, 2021. The Noticee No. 34 was duly represented by his authorized representative on the said date of hearing through webex and the Noticee No. 34 filed additional reply dated September 8, 2021. In the reply and on the said date of hearing, the Noticee No. 34 made submissions *inter alia* as under:

(i) The Noticee No. 34 is an NBFC involved in the loan and investment activities.

(ii) The Noticee No. 34 has repaid the loans taken from RFL, Best Healthcare, Devera Developers and had not transaction with VSB Investments.

(iii) The loan of Rs. 44.40 Crores taken by the Noticee No. 34 from RFL was utilized by it to repay the loan taken by it from Devera Developers on January 7, 2015. The loan taken by the Noticee No. 34 from Devera Developers on January 7, 2015 was utilized by it to repay part of an earlier loan taken by the Notice No. 34 from RFL.

(iv) The loan of Rs. 44.40 Crores taken by the Noticee No. 34 from RFL on January 9, 2015 was repaid after taking loan of Rs. 45 Crores from Devera and Rs. 53 Lacs from Annies Apparel on December 14, 2021.

(v) The loan of Rs. 45 Crores taken by the Noticee No. 34 on December 14, 2015 from Devera Developers was repaid after taking loan of Rs. 45.3 Crores from RFL on December 18, 2015.

(vi) The aforesaid loan of Rs. 45.3 Crores taken by the Noticee No. 34 on December 18, 2015 from RFL was repaid after takin loan of Rs. 59 Crores from Tara Alloys on May 24, 2017 and interest on the loan from RFL was repaid after taking loans from four entities.

C. *Consideration of Allegations, Replies and Submissions*

494. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 34 and its replies/written submissions. I note that the Noticee No. 34 has specifically admitted the loan transactions mentioned in the Investigation Report in which it was involved.

495. Further, from the chain of transactions dated January 9, 2015 in which the Noticee No. 34 was involved, it is observed that out of the loan of Rs. 44.4 Crores granted by RFL to Noticee No. 34 on January 9, 2015, an amount of Rs. 44 Crores was transferred to Best Healthcare which transferred the same to Saubhagya. Thereafter, Saubhagya transferred the said amount to Fern which transferred the same to RHC Holding through ANR Securities. The Noticee No. 34 has not disputed the fact that the amount ultimately reached RHC Holding (wholly owned and controlled by Singh brothers).

496. In respect of the aforesaid loan of Rs. 44.4 Crores taken by the Noticee No. 34 from RFL on January 9, 2015, the Noticee No. 34 has contended that it had utilized the said amount to repay the loan of Rs. 44.4 Crores taken by it from Best Healthcare on January 7, 2015. I am not able to fathom

as to what was the requirement of repaying a loan of Rs. 44.4 Crores taken by the Noticee No. 34 just two days after taking the loan. Furthermore, as explained in part relating to Best Healthcare, the MoU submitted by Best Helathcare in respect of purported loan dated January 7, 2015 is not genuine as the stamp issuance date is almost 2.5 months before date of MoU between best healthcare and the Noticee No. 34. All these factors lead to an adverse inference that the said transaction was not genuine.

497. Further, the Noticee No. 34 has accepted that:

(i) The loan of Rs. 45 Crores taken by it from RFL on January 9, 2015 was repaid by it after taking loan from Devera Developers on December 14, 2015.

(ii) The aforesaid loan of Rs. 45 Crores taken by the Noticee No. 34 from Devera Developers was repaid after taking loan of Rs. 45 Cores from RFL on December 14, 2015 i.e. just after 4 days of taking loan from Devera Developers.

(iii) The loan of Rs. 45 Crores taken by it from RFL on December 18, 2015 was repaid by it after taking loan of Rs. 59 Crores on May 25, 2017 from Tara Alloys which had received loan of Rs. 85 Crores from RFL on same day i.e. May 25, 2017.

498. Thus, the loan of Rs. 44.4 Crores taken by the Noticee No. 34 from RFL on Jauary 9, 2015 was ultimately paid out of the funds indirectly received from RFL. Therefore, the contention of the Noticee No. 34 that it has repaid all the loans taken by it from RFL is untenable.

499. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

500. From the above, it is obvious that the transactions executed by the Noticee No. 34 were not genuine and were only intended to ultimately transfer the amount to RHC Holding (wholly owned and controlled by Singh brothers). This is strengthened by the fact that the Noticee No. 34 was taking money from one entity to repay an earlier loan taken by it from other entity. Why would an NBFC involve in such transactions in normal course of business whereby one loan is taken to repay an earlier loan as explained above. Further, it cannot be a coincidence that a loan of Rs. 44.44 Crores granted by RFL to the Noticee No. 34 received from RHC Holding on very same day.

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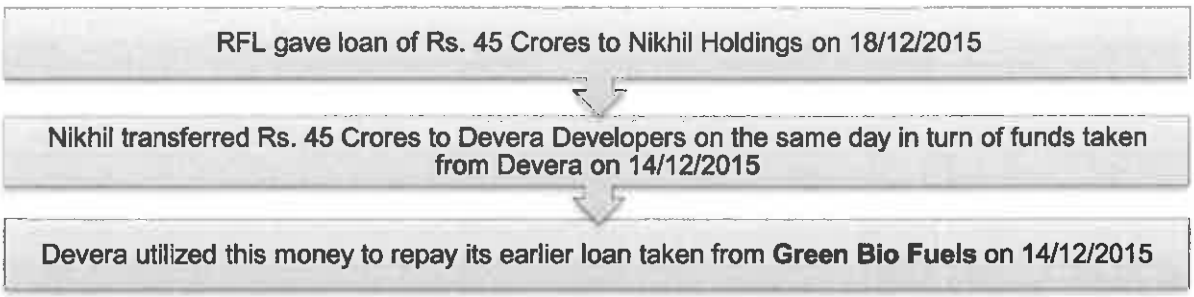
501. Thus, based on the material available on record, I conclude that the Noticee No. 34 acted as borrower entity in diversion of funds of Rs. 44 Crores of REL through RFL to RHC Holding (wholly ownedand controlled by Singh brothers).

GREEN BIOFUELS FARMS PRIVATE LIMITED (NOTICEE NO. 36)

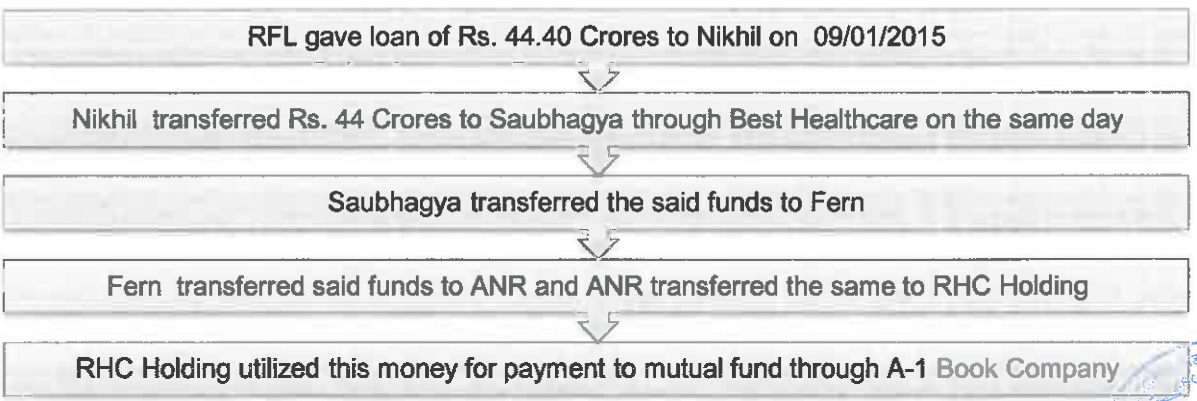
A. Sum and Substance of the Allegations

502. It is alleged that that Green Biofuels Farms Private Limited (Green Biofuels /Noticee No. 36) acted as a conduit entity in RFL's loan to Nikhil Holding.

503. RFL had granted loan of Rs. 45 Crores to Nihil Holding which was on December 18, 2015 which was utilised in the following manner-



504. The aforesaid loan of Rs. 45 Crores taken by Devera from Green Bio Fuels on December 14, 2015 was utilised by Nikhil Holdings to repay its earlier loan taken from RFL on January 09, 2015. The utilisation of loan taken by Nikhil Holding on January 09, 2015 is as mentioned under:



505. Hence, it is alleged that Green Biofuels acted as conduit entity and facilitated diversion of Rs. 45 Crores in RFL's loan to Tara Alloys.

506. It is alleged in the SCN that, Green Biofuels had acted as conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

507. The SCN dated February 15, 2021 was sent to Green Biofuels at the last known address i.e. "Prius Platinum, Ground Floor, D3, District Center, Saket, South Delhi, New Delhi – 110 017" , however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Green Biofuel. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

508. Alternate address of the noticee was found from the MCA website, and in the interest of justice, a copy of SCN dated February 15, 2021 was sent to the alternate address i.e. "G - 16, Marina Arcade, Connaught Circus, New Delhi Central Delhi, Delhi 110001" vide letter dated April 26, 2022, which was delivered on May 02, 2022. A copy of the said letter was also sent to the noticee vide email dated April 26, 2022 at email id mentioned on the MCA website i.e. - "green.biofuels@gmail.com". However, no reply was filed by the noticee.

C. Consideration of Allegations, replies and Submissions

509. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

510. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 36. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 36. The fund trail is

also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

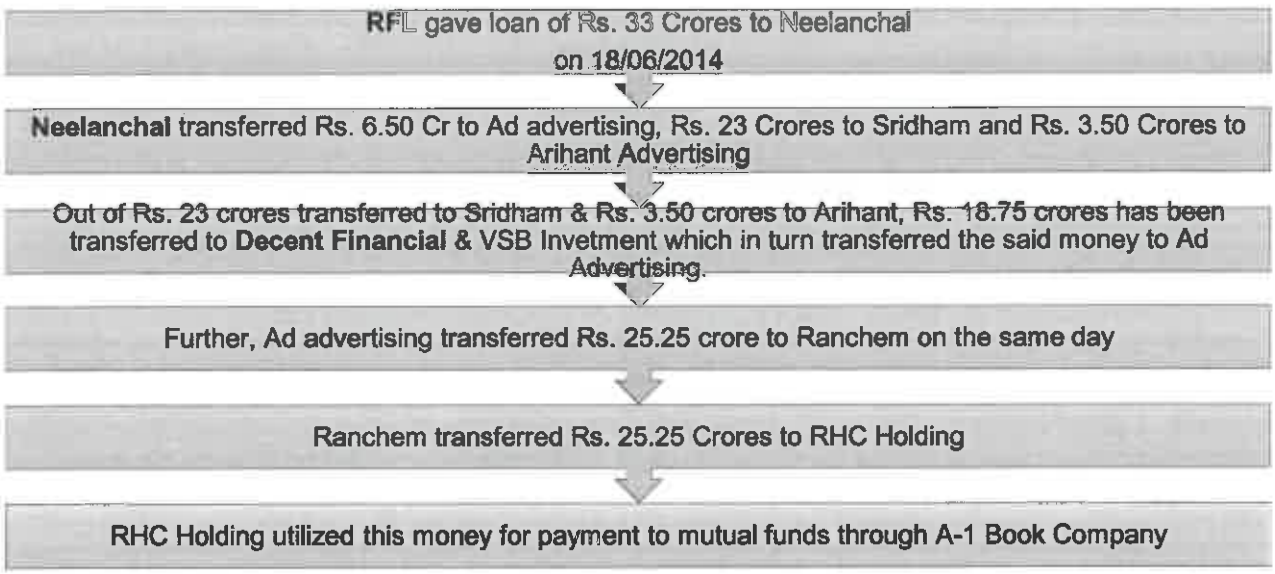
511. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 36 had acted as conduit entity and facilitated diversion of Rs. 45 Crores of RFL to RHC Holding in RFL's loan to Nikhil Holding, as mentioned above.

512. Therefore, I conclude that the Noticee No. 36, Green Biofuels acted as conduit entities, and was part of an elaborate scheme of diversion of funds of REL through RFL.

DECENT FINANCIAL SERVICES PVT. LTD. (NOTICEE NO. 38)

A. Sum and Substance of Allegations

513. It is alleged that, the Noticee No. 38 acted as conduit entity in following chain of transaction which led to diversion of funds of RFL:



514. In view of the aforesaid, it is alleged that, Noticee No. 38 had acted as a conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL to the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN & Subsequent replies

515. The SCN was delivered to the Noticee No. 38 by SPAD on February 22, 2021. Thereafter, vide hearing notice dated August 12, 2021 an opportunity of hearing was provided to the Noticee No. 38 on September 6, 2022. The Noticee No. 38 filed replies dated September 3, 2021. As per request of the Noticee No. 38 the hearing was rescheduled on September 22, 2021. Thereafter, vide e-mail dated September 22, 2021, the Noticee No. 38 while seeking adjournment sought to provide specific allegations against the said noticee, to which SEBI vide e-mail dated September 23, 2021 clarified that the allegations against the notice are mentioned in the SCN and the annexures which were already provided to him and all the queries/questions raised by the noticee would be considered by the adjudicating officer in accordance with law. Further, as desired by the Noticee No. 38, the hearing was rescheduled to September 30, 2021 and it was informed that failing to avail the opportunity of personal hearing the matter would be decided in accordance with law based on the material available on record and reply filed by him. Pursuant to the hearing opportunity provided to the Noticee No. 38 on September 30, 2021, the Noticee No. 38 filed reply dated September 30, 2021 vide e-mail dated September 29, 2021. However, the Noticee No. 38 did not avail the opportunity of hearing provided on September 30, 2021 even though the link for attending the hearing was sent to the e-mail of the Noticee No. 38 and its authorised representative. Therefore, the matter qua the Noticee No. 38 is decided in accordance with law on the basis of available material on record and the replies filed by the Noticee No. 38. In the replies dated September 3, 2021 and September 29, 2021, the Noticee No. 38 filed reply as under:

(i) The entire SCN proceeds on presumption and surmises, as no enquiry or investigation was done prior to terming the entities as 'Intermediate Conduit Entity'.

(ii) Neither any supporting or related evidence has been recorded in the investigation report nor in the Forensic Audit Report against the Noticee No. 38 which highlights the role played by it. No specific transaction has been stated wherein the Noticee no. 38 was part of diversion funds as conduit entity.

(iii) No notice was issued to the Noticee No. 38 in the WTM proceedings initiated on the basis of the Forensic Audit Report. Thus, it is surprising that when WTM did not deem fit to issue notice to the Noticee 38, a cause of action which arose pursuant to the WTM order dated November 12, 2020, has been made a basis for inclusion of the name of the Noticee No. 38.

(iv) The present proceedings are a result of substitution of section 11B proceedings with adjudication proceedings vide WTM order dated November 12, 2020 and hence these proceedings are only in respect of 16 entities mentioned in the said order.

(v) The scope of the investigation is deliberately extended beyond the order dated November 12, 2020 passed by WTM. There is absolutely no mention of any transaction pertaining to the Noticee No. 38 in SCN.

(vi) The name of Noticee No. 38 has been included in the list of noticees without providing any specific allegations/material basis.

C. *Consideration of Allegations, Replies & Submissions*

516. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 38 and its replies/written submission.

517. The Noticee No. 38 has contended that no specific allegation/transaction has been pointed out in the SCN on the basis of which SCN has been issued to the Noticee No. 38. In this regard, the SCN dated February 15, 2021 at para 7(vii) *inter alia* alleges that the borrower companies alongwith other conduit entities (Noticee Nos. 1-43) were observed to have acted in a fraudulent manner which led to diversion of funds of REL through RFL, a material subsidiary of REL i.e. a listed company. Further, at para 44 of the extract of the Investigation Report the detail of chain of transaction dated June 18, 2014 is mentioned wherein the Noticee No. 38 acted as conduit entity in diversion of fund of RFL. Therefore, the contention of the Noticee No. 38 that the SCN failed to provide specific allegation cannot be accepted.

518. The Noticee No. 38 has also referred to the learned WTM Order dated November 12,2020 in the matter of Religare Enterprises Ltd and has contended that it was not part of the said WTM order. As already noted above, the said reliance on the said Ld. WTM Order dated November 12,2020 is misplaced and untenable as the present adjudication proceedings against the Noticee NO. 38 are not the substituted proceedings but fresh proceedings initiated after completion of the investigation in the matter. The present adjudication proceedings are independent in nature under the appropriate legal provisions of the law. Therefore, the said contention of the noticee is not tenable.

519. As regards the involvement of the Noticee No. 38 in the chain of transaction dated June 18, 2014, from the material available on record, it is observed that the Noticee No. 38 was involved as conduit entity in diversion of funds of RFL in the following manner:

(i) On June 18, 2014 RFL transferred Rs. 33 Crores to Neelanchal and on the same day Neelanchal transferred Rs. 23 Crores to Sridham.

(ii) On June 18, 2014 Sridham transferred Rs. 13.45 Crores to bank account- 00030340020863 of the Noticee No. 38.

(iii) From its aforesaid bank account, on June 18, 2014, the Noticee No. 38 transferred Rs. 15 Crores (including aforesaid Rs. 13.45 Crores) to Ad Advertising.

(iv) Thereafter, Ad Advertising transferred two amounts i.e Rs. 90 Crores and Rs. 22.8 Crores to Ranchem which transferred the said amounts to RHC Holding (wholly owned and controlled by Singh brothers).

520. The Noticee No. 38 had various financial transactions with RFL, Best Healthcare, Ad Advertising Sridham, Gurudev and Yashodham which has not been denied by the Noticee No. 38 in its reply. Therefore, the Noticee No. 38 had pre-existing connection with the said entities and the transactions are undisputed. Further, the Noticee No. 38 has not disputed the aforesaid transaction in which it was involved.

521. The overall chain of transactions coupled with inter-connected transactions among the noticees clearly shows that the transactions were not intended to be genuine loan transactions.

522. In view of the aforesaid, the Noticee No. 38 acted as conduit entity in diversion/ of funds of Rs. 13.45 Crores to REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers).

ANNIES APPAREL PRIVATE LIMITED (NOTICEE NO. 42)

A. Sum and Substance of the Allegations

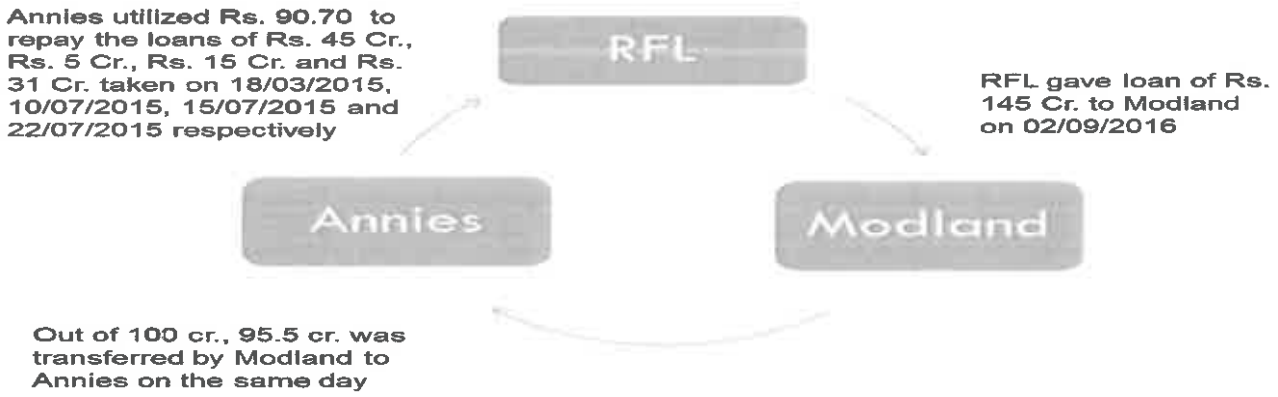
523. Annies Apparel Private Limited. (Annies/Noticee No. 42) had taken unsecured loan of Rs. 100 Crores from RFL on February 01, 2017. It is alleged that out of said Rs. 100.00 Crores, Rs. 50 Crores had been transferred by Annies to Nishu Finlease and Rs. 25 Crores to Spinstar through various entities. Nishu Finlease and Spinstar was utilised the said amounts for repayment of part of their loan taken from RFL on August 21, 2015 and December 18, 2015.

524. Thus, it is alleged that out of Rs 100 Crores loan given to Annies by RFL, around Rs. 75 Crores were observed to be misutilised by other entities for repayment of their earlier loans taken from RFL.

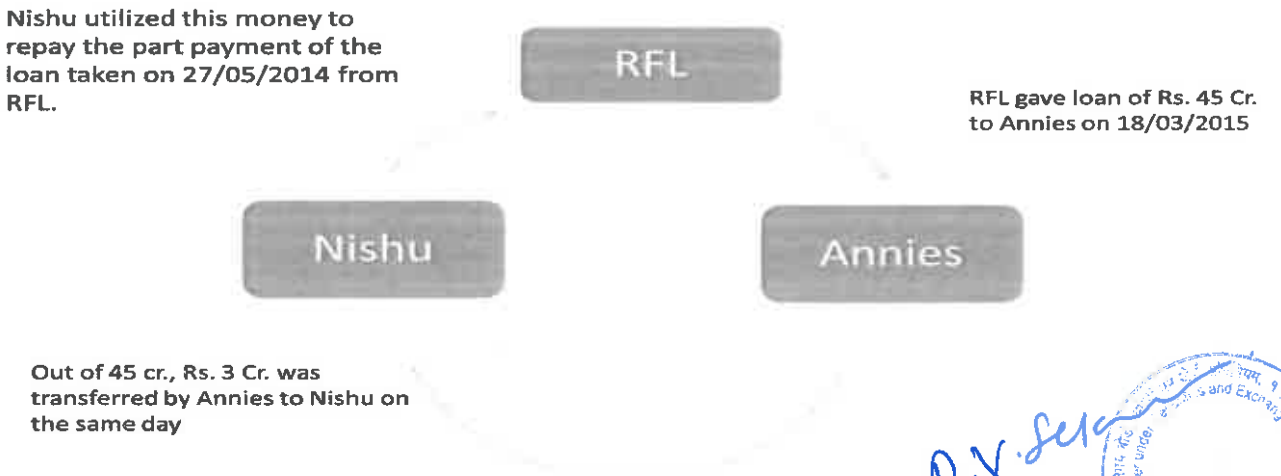
525. It was further alleged that Annies acted as conduit entity in RFL's Loan to Modland.

Annie's role as conduit entity in RFL's loan to Modland

526. 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:

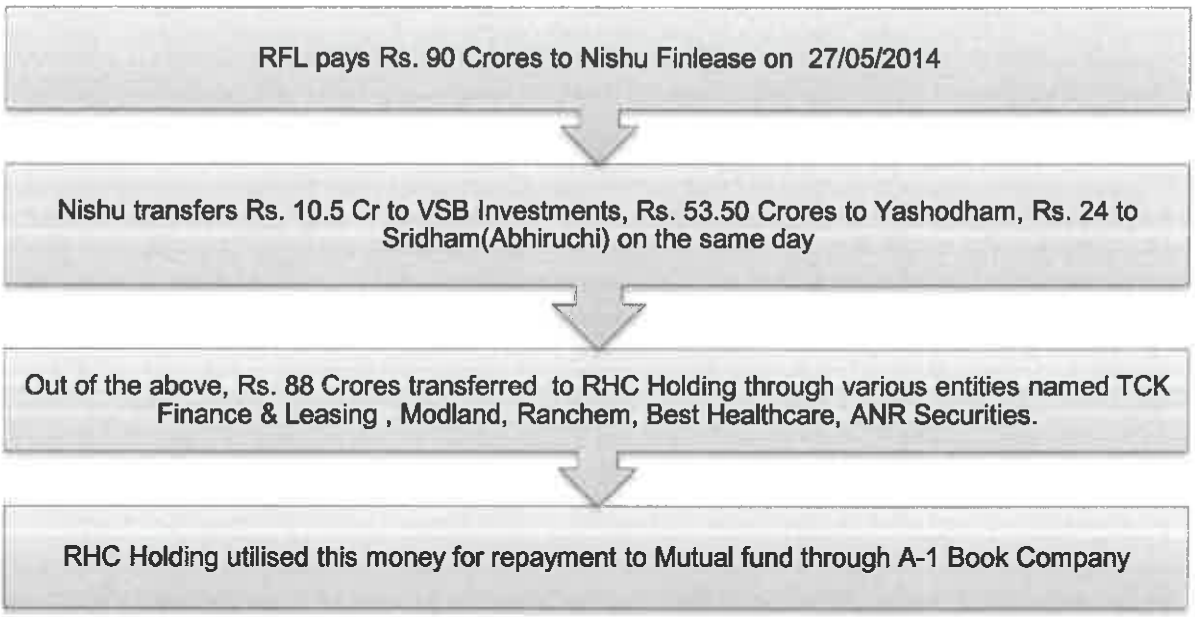


527. RFL had given loan of Rs. 45 Crores to Annies on March 18, 2015, out of which Annies transferred Rs. 3 Crores to Nishu. Nishu in turn utilized this money to repay the part payment of the loan taken on May 27, 2014 from RFL. The pictorial presentation of the same is as follows: -



D.V.

528. The loan given by RFL to Nishu on May 27, 2014 were analysed and it was utilised in the following manner-



529. Hence, it is alleged that Annies acted as conduit entity and facilitated misutilisation/diversion of Rs. 95.5 Crores in RFL's loan to Modland.

530. In view of the above it is alleged that, Annies had acted as borrower and conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

531. The SCN dated February 15, 2021 was sent to Annies at the address mentioned on the MCA website i.e., "2764/17, 2nd floor, Hamilton Road, Mori Gate, North Delhi, Delhi – 110006" and the same was delivered on February 22, 2021.

532. Subsequently, in the interest of Justice, a hearing notice dated August 12, 2021, granting opportunity of hearing on September 06, 2021 was sent to Annies at the aforesaid address and the same was delivered on August 16, 2021. The Noticee did not appear for the hearing, nor filed any reply.

D.V. Sekar

C. *Consideration of Allegations, replies and Submissions*

533. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

534. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 42. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 42. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

535. From the analysis of fund trail, bank statements and the documents, I note that out of funds given to Annies, around Rs. 75 Crores were observed to be misutilised by Nishu Finlease (received Rs. 50 Crores through Modland) and Spinstar (received Rs. 25 Crores through Gurudev which received it through Modland) for part repayment of earliers loans taken by Nishu Finlease on August 21, 2015 and by Spinstar on December 18, 2015.

536. I further note that the Noticee No. 42 had acted as conduit entity in RFL's loan to Modland, and facilitated diversion of funds of Rs. 3 Crores and mis-utilisation of funds of Rs. 87.7 Crores which was utilised by the Noticee No. 42 for repayment of its earlier loan taken from RFL itself, as mentioned above.

537. Therefore, I conclude that the Noticee No. 42, Annies acted as borrower and/or conduit entities, and was part of an elaborate scheme of diversion and mis-utilisation of funds of REL through RFL.

REXCIN FINANCE PRIVATE LIMITED (NOTICEE NO. 43)

A. *Sum and Substance of the Allegations*

538. It is alleged that Rexcin Finance Private Limited (Rexcin/Noticee No. 43) acted as conduit entity in RFL's loan to Modland. RFL had given a loan of Rs. 145 Crores to Modland on September

02, 2016. Out of the aforesaid loan of Rs 145 Crores, 22.48 Crores have been paid back to RFL by various entities as interest repayment for their loans taken from RFL itself. Rexcin is one of these entities and it has paid back 0.865 Crores to RFL as interest for loans taken from RFL.

539. In view of the aforesaid, in the SCN it is alleged that, Rexcin had acted as conduit entity and contributed to diversion/mis-utilisation of funds of REL through RFL for the benefit of the erstwhile promoter group entities of REL/RFL as well as misrepresentation of financial statements of REL and thereby has been alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

540. The SCN dated February 15, 2021 was sent to Rexcin at the address mentioned on the MCA website i.e. "Shop No. 20, First Floor, DDA Market, New Rajdhani Enclave, Delhi East, Delhi – 110092", however the same was not delivered. Thereafter, in compliance with AO Rules the said SCN was affixed on March 13, 2021 at the aforesaid address of Rexcin. Subsequently, a hearing notice dated August 09, 2021 was affixed on August 18, 2021 at the same address as the one where the SCN was affixed, granting opportunity of hearing on August 31, 2021. The Noticee did not appear for the hearing, nor filed any reply.

C. Consideration of Allegations, replies and Submissions

541. The noticee has neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations in SCN. Therefore, the matter is decided on the basis of material available on record in accordance with law.

542. I have perused the allegations made in the SCN, Investigation Report, Forensic Audit Report and the documentary evidences against the Noticee No. 43. The documents annexed to the SCN establishes the fund trail as discussed and alleged above against Noticee No. 43. The fund trail is also further substantiated through various other connected entities/noticees discussed in detail in this order at various places.

543. From the analysis of fund trail, bank statements and the documents, I note that the Noticee No. 43 had acted as conduit entity and misutilised Rs. 0.865 Crores (Rs 86.50 Lakhs) in RFL's loan to Modland for repayment of interest on earlier loan taken from RFL itself, as explained above.

544. Therefore, I conclude that the Noticee No. 43, Rexcin acted as borrower and/or conduit entities, and was part of an elaborate scheme of mis-utilisation of funds of REL through RFL.

MR. SUNIL KUMAR GARG (NOTICEE NO. 44)

A. Sum and Substance of Allegations

545. In the SCN qua Mr. Sunil Kumar Garg (Noticee No. 44), it is alleged that, he had played a role in granting approval of loans by RFL to various borrower companies as and/or as director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN & replies

546. The SCN was delivered to the Noticee No. 44 by SPAD on February 23, 2021. As per request of the Noticee No. 44, opportunity of inspection was provided on October 29, 2021 wherein the authorized representative of the Noticee No. 44 duly carried out the inspection of the documents and documents sought were also provided in the CD. Thereafter, vide hearing notice dated December 23, 2021 an opportunity of hearing was provided to the Noticee No. 44 on January 7, 2022 which as per request of the Noticee No. 44 was adjourned to January 18, 2022 then to February 4, 2022. The Noticee No. 44 filed the reply in the matter on January 14, 2022. On February 4, 2022, the Noticee No. 44 was duly represented by his authorized representative through webex. In the reply and on the said date of hearing, the Noticee No. 44 made submissions *inter alia* as under:

(i) The noticee joined REL in April 2004 and resigned in September 2017 wherein he last served as Treasury head of REL. He was a nominee director of RFL till October 26, 2016.

D.V. Sera

(ii) The noticee was not provided with the complete investigation report and it this regard he has referred to orders of the Hon'ble SAT passed in Ms. Smitaben N. Shah Vs. SEBI and Pricewaterhouse Coopers Vs. SEBI.

(iii) The SCN brought out vague and ambiguous allegations and charges against the noticee and does not specify the role of the noticee in the alleged fraud.

(iv) The noticee has contended that proper due diligence was done for the loans which were approved by him. Further, he has contended that out of the loans approved by him, some loans were first approved by RPT-SC.

(v) The SCN and the record do not show that the Noticee No. 44 had knowledge regarding the movement of funds beyond the loan disbursal by RFL.

(vi) In view of the above, the allegations against the Noticee No. 44 are not sustainable and thus, no orders may be passed/issued against him.

C. *Consideration of Allegations, replies & submission of noticee*

547. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 44 and his replies/written submissions.

548. It is conentended by the Noticee No. 44 that the complete investigation report has not been provided. This contention is dealt in detail in part III which deals with the common contentions of the noticees

549. The Noticee No. 44 was non-executive director of RFL from March 26, 2007 to October 26, 2016. From the material available on record, it is noted that the Noticee No. 44 had approved following loans:

Entity	Loan amount (INR) (in Crores)	Security	Date of Approval	Diverted+Mis-utilised Amount (INR) (in Crores)
Nishu Finlease	95	Unsecured	December 27, 2014	88
Gurudev Financials	15	Unsecured	May 27, 2014	15
Neelanchal Holding	35 65	Unsecured	June 18, 2014 June 27, 2014	25.25 21

Spinstar (earlier known as Vinjyoti)	60	Unsecured	January 9, 2015	42.8
Nikhil Holding	50	Unsecured	January 8, 2015	44
Annies Apparel	50	Unsecured	March 17, 2015	3
A&A Capital	90	Unsecured	March 16, 2015	59
Nishu Finlease	100	Unsecured	August 21, 2015	74
Gurudev Financials	90	Unsecured	August 25, 2015	84.5
Kalyan Vyapaar	95	Unsecured	December 16, 2015	50
Nikhil Holding	50	Unsecured	December 17, 2015	45
Rosestar	150	Unsecured	February 10, 2016	150
Fern Halthcare	100			100
Tripoli	150			100
Volga	100			100
Best Health Management	40	Secured (Agricultural Lands given as security which had cross-holdings)	March 23, 2016	40
Devera Developers	40			40
Vitoba	35			35
Artifice	165	Unsecured	September 01, 2016	160.98
Modland	162			118.08
Zolton	165			160
Total				**1555.61**

550. Out of the aforesaid loans majority of loans were partly or fully utilized by erstwhile promoter group entities of RFL/REL or were utilized by other entities to repay principal/interest of earlier loans which were partly or fully utilized by erstwhile promoter entities of RFL/REL. The details of the said transactions have already been discussed in detail in part relating to the aforesaid borrowers.

551. The Noticee No. 44 has not denied that he had approved the aforesaid loans. The Noticee 44 has contended that proper due diligence was conducted for the loans approved by him. However, the said argument is of no avail for the reason that all the aforesaid loans (except three loans) were unsecured and were approved to such entities which did not have sound financial position i.e. the entities had negative networth or had negligible networth in comparison to the amount of the loan granted to such entities (for instance, Artifice, Modland, Nikhil Holidng, Vitoba had negative networth). Further, All the transactions that led to diversion occurred on the very day when the

amount was approved (except in few cases where diversion took place on very next day) and the same has also not been denied by the Noticee No. 44.

552. The Noticee No. 44 has further contended that some loans approved by him were first approved by RPT-SC of REL and only thereafter, such loans were approved. On the other hand, the members of RPT-SC of REL who are also noticees herein contends that the loan proposals were scrutinized by various KMPs of RFL including its directors, before the same is placed before RPT-SC of REL. This contention shows lack of due-diligence on part of the Noticee No. 44 for the reason that as a member of an approving committee he should not have only relied on approval of RPT-SC. The noticee was expected to exercise his independent judgment and diligence while approving the loans, particularly when it was mentioned that the borrowers are known to the erstwhile promoters and financial position of loan was not comparable to the amount of loan granted to such borrower. The fact that the Noticee No. 44 approved loans to such entities without asking any questions or raising any red flags, gives an inference that the Noitcee No. 44 was part of the scheme of diversion by sanctioning and allowing diversion of funds to the promoters. Otherwise why would a prudent man like Noticee No. 44 a qualified CA would approve loans to borrowers with negative netowrth or neglible networth in comparison to the amount of loan. The Noticee No. 44 was associated with RFL for almost a decade.

553. In view of the aforesaid, I conclude that the Noticee No. 44 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL.

MR. MANINDER SINGH (NOTICEE NO. 45)

A. Sum and Substance of Allegations:

554. In the SCN qua Mr. Maninder Singh (Noticee No. 45), it is alleged that:

(i) He had played a role in granting approval of loans by RFL to various borrower companies and/or as director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI

Act, 1992 read with Regulation 3(b),(c) & (d), 4(1), 4(2)(f) and (r) of the PFUTP Regulations, 2003.

(ii) He is alleged to have provided the CEO/CFO certificate issued by him in the Annual Report of REL inter alia stating that "the financials of REL presented true and fair view of its affairs and not containing any misleading statement" which was misleading. Thus, he is alleged to have violated relevant clauses of listing agreement read with Section 21 of the SCRA, 1956 and section 103 of LODR Regulations, 2015 and other relevant provisions of LODR Regulations, 2015.

B. *Service of SCN & replies*

555. The SCN was delivered by SPAD on February 20,2021 and reply to the same was filed by the Noticee vide letter dated July 22, 2021. In the interest of Justice, hearing opportunity was provided on September 09, 2021 vide notice of Hearing dated August 12,2021 which was delivered to Noticee on August 16,2021. As per his request, the date of hearing was scheduled on September 16, 2021 wherein Noticee appeared through webex. Pursuant to the hearing, the Noticee submitted additional submissions vide letter dated September 24, 2021 in support of his contentions. The Noticee vide the said letters and in the hearing made submissions *inter alia* as under:

a) *No role has been attributed to the Noticee in the FAR.*
b) *Noticee was the Group CEO of REL, only from March 22, 2017 to November 14, 2017 and was a non-executive director of RFL from October 26, 2016 to November 14, 2017. He had resigned from all position on August 9, 2017 and was relieved on November 14, 2017, after serving the notice period of three months.*
c) *None of fund diversion has been correlated to the Noticee's tenure as Group CEO of REL. He has worked under the control and supervision of the Board of RFL and was not involved in day to day affairs of the company.*
d) *He was part of RMC of RFL along with Mr. Kavi Arora, Mr. Nalin nayyar, Mr. Daljit Singh and Mr Avinash Mahajan and had no authority in approving loans by RFL. Further, he was not part of REL's Board or RPT-SC or LIBC at any point of time.*
e) *The Noticee was arrested by Economic Offences Wing on October 27, 2020 and was sent to custody and was granted bail almost 7 months later. The Noticee has submitted the bail order dated May 05, 2021.*

f) *The Hon'ble High Court of Delhi vide bail order has unequivocally ruled that although the Noticee was part of RPT-SC or LIBC which committees finally approved and sanctioned the plans, at any point of time during his employment, he had no involvement/authority/discretion in the sanctioning of any of the loans mentioned in the SCN. The Hon'ble Delhi HC in its bail order had observed that, "The petitioner herein was an employee and; not a beneficiary to a single penny;…".*

g) *He had no relation to entities to whom loan were granted and majority of fund diversion took place before the commencement of employment of the Noticee in REL/RFL.*

h) *The loans granted by RFL were not in the nature of new disbursements, but in the nature of roll over system and the entities involved in the roll-over system were owned/controlled directly or indirectly by the erstwhile promoter group of REL.*

i) *In fact, from the fund flow for the loans, the funds have come back to RFL's bank accounts on the same day. Therefore, no money has gone out of the system and the transactions are merely a carry forward of old loans.*

j) *As regards allegations that the Noticee had provided misleading statement in the annual reports of REL, it is important note that the Noticee was Group CEO of REL for a short period of 8 months starting from March 22, 2017. The said allegation for the FYs 2015, 2016 and 2018 are baseless and wholly untenable.*

k) *As regards CEO Certification for the annual report for the financial year 2016-17, the Noticee was CEO for the said financial year merely for 10 working days.*

l) *The respective CEO and MD having worked for a long period of time in RFL, REL, Religare Healthcare Limited and many other executives had provided their certification, on the basis of which the Noticee submitted his CEO certifications.*

m) *SEBI has failed to show any form of intention/knowledge on the part of the Noticee of the alleged perpetrated fraud committed by the erstwhile promoters/erstwhile promoter group of REL. He exercised a reasonable amount of due diligence and care while performing his role as Group CEO of REL and non-executive director of RFL.*

n) *In letter dated September 24, 2021 the Noticee has stated that his term as CEO of REL lasted for 4 months and 21 days. He was in police custody and judicial custody for more than 6 months because of complaint by REL.*

o) *The subordinates to the Noticee had heavier salary and remuneration than that of the Noticee. He was appointed as CEO just five days before the FY 2016-17 ended. Further, his mother was diagnosed with Hodgkin's Lymphoma on March 22, 2017 and was under treatment during the period March 2017-March 2018. He submitted his resignation letter on*

August 9, 2017 and thereafter, served his 3 months' notice period and was not involved in day to day affairs of REL. The resignation was accepted after his repeated requests with effect from November 14, 2017 which in effect made him serve my entire notice period.

C. *Consideration of Allegations, replies & submission of noticee*

556. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 45 and his replies/written submissions.

557. The Noticee No. 45 was non-executive director of RFL from October 26. 2016 to November 14, 2017. Further, he was Group CEO of REL from March 22, 2017 to November 14, 2017.

558. The Noticee No. 45, during his tenure in RFL as a member of RMC, had approved following loans/investments:

Entity	Loan amount (INR) (in Crores)	Security/Rating	Date of approval	Diverted+Mis-utilised Amount (INR) (in Crores)
Oscar investments Limited	Upto 150	Unsecured	November 03,2016	no diversion observed in the Investigation
OSPL and BRNL (investment in NCDs) (approved as a member of LIBC)	200 and 50	Unrated	December 14, 2016	200
Oscar investments Limited	Upto 200	Unsecured	December 27,2016	125
Gurudev	Upto 100	Unsecured	May 23, 2017	97.5
Tara Alloys	Upto 85			84
Fern	Upto 150	Unsecured	June 28,2017	150
Torus	Upto 150			5
Rosestar	Upto 150			150

Ad Advertising	Upto 100			100
Volga	Upto 150			150
Tripoli	Upto 150			150
Star Artwork	Upto 150	Unsecured	August 16, 2017	150
Platinum	Upto 120	Unsecured	September 26, 2017	109.3
Religare Comtrade	Upto 125	Unsecured	October 16, 2017	75
Total				**1546.8**

559. Out of the aforesaid loans majority of loans were partly or fully utilized by erstwhile promoter group entities of RFL/REL or were utilized by other entities to repay principal/interest of earlier loans which were ultimately utilized by erstwhile promoter entities of RFL/REL. The details of the said transactions have already been discussed in detail in part relating to the aforesaid borrowers.

560. The Noticee No. 45 while approving the aforesaid loans did not raise any red flag or protest in respect of granting of loans to the aforesaid entities when the financial position of the aforesaid entities was not sound in comparison to amount of loan which was being granted. For instance, Oscar had negative profits and negative networth in the previous financial year, Tripoli had negligible profit as compare to the amount of loan and negative networth. Similarly, the financial positon of the other aforesaid entities, to whom aforesaid loans were granted and were subsequently diverted to the erstwhile promoter group entities also did not have the sound financial position as compare to the amount of loan granted to such entities. Further, the said loans were ultimately diverted to the erstwhile promoter group entities on the very same day when the loans were disbursed to the aforesaid entities (except in very few cases where diversion took place on very next day) which is apparent from the transactions discussed above.

561. The Noticee No. 45, as a member of LIBC, had also approved the investment in unrated NCDs of BRNL and OSPL on December 14, 2016 with a horizon of 6 months. The investment in NCDs of BRNL was approved as it was a SREI backed entity and the investment in OSPL was approved as it had sufficient security in form of investment in shares of BRNL. However, the fact remains that the NCDs of BRNL and OSPL were unrated. Further, OSPL's investment in shares of BRNL formed 99.99% of its total asset and as on December 14, 2016 OSPL already had a long term borrowing of Rs. 195.16 Crores from SREI. Therefore, the OSPL's investment in shares of

BRNL was not a sufficient security. Further, the investment in NCDs of OSPL still remains unpaid and RFL has initiated Insolvency Proceedings under IBC for recovery of Rs. 200 Crores from OSPL.

562. On June 14, 2017, the Noticee No. 45, as a member of LIBC, had extended the tenure of investment in NCDs of OSPL from six months to one year considering the attractive yield and other credit credentials of OSPL. It is not fathomable as to how come the only asset of OSPL in form of shares of BRNL was considered as sound credit credentials without looking at exact credentials of BRNL. Thus, while approving the investment in NCDs of OSPL and extending the tenure of OSPL, the Noticee No. 45 did not exercise due-diligence and independent judgment.

563. Further, on June 14, 2017, as a member of LIBC, the Noticee No. 45 also approved conversion of investment in NCDs of BRNL to Inter-Corporate Loans. In this regard, as noted in earlier portion of this order, BRNL has repaid the amount of Rs. 50 Crores and the same has not been observed to have been diverted/misutilised. Therefore, no adverse inference can be drawn in respect of investment in NCDs of BRNL.

564. The Noticee No. 45 has also referred to bail order dated May 05, 2021 passed by the Hon'ble Delhi High Court, whereby in respect of arrest by Economic Offence Wing in a case, arising out of same cause of action as in the current adjudication proceedings, the Noticee No. 45 has been granted bail. In the said order, the Hon'ble Delhi High Court, inter alia while taking into consideration the fact that main beneficiaries Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh have since been granted regular bail by Ld. Trial Court, granted bail to the Noticee No. 45. However, while passing the said bail order, the Hon'ble Delhi High Court clarified that, "Nothing opined herein shall be construed as observation on the merits of case pending trial". Therefore, the order dated May 05, 2021 of the Hon'ble Delhi High Court was only relevant for granting bail to the Noticee No. 45 and was not on the merits of the case. The said order and the observations of the Hon'ble Delhi High Court in the said order cannot in any manner help the Noticee No. 45 in respect of his involvement in the subject matter.

565. The Noticee No. 45 also did not raise any red flags while approving the loans to the aforesaid entities, which loans were ultimately diverted to the erstwhile promoter group entities. Further, the Noticee No. 45 also acted as Group CEO of REL from March 22, 2017 to November 14, 2017 and being in such a position he was duty bound to look into issues of granting loans and investments of RFL. The Noticee No. 45 had also approved certain loans even after RBI issued letter dated

January 27, 2017 whereby RBI had inter alia raised concerns regarding transfer of funds to promoter group entities, granting loans to entities having operational losses etc.

566. The Noticee No. 45 has not denied that while giving loans to the aforesaid entities it was also informed that such entities were known to erstwhile promoters. This fact coupled with the fact that the loans were unsecured and the borrower entities did not have sound financial position comparable to the amount of loan granted to them, should have alerted the individuals who had given loans which were ultimately diverted.

567. In view of the aforesaid, the Noticee No. 45 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL.

568. It is also alleged in the SCN that the Financial Results did not show true picture and there was misrepresentation and shareholders were misled. The Noticee No. 45 had given CEO certification for the financial results of REL for FY 2016-17. In respect of the said financial year the auditors had given qualified opinion in respect of RFL. Further, in the said financial year, in a material subsidiary of REL namely RFL, various loans were given to certain entities which were ultimately diverted to the erstwhile promoter group entities as explained above. The diverted loans which were shown as repaid were actually repaid out of the funds indirectly received from RFL itself. However, the financial statements of RFL gave a picture that RFL is conducting its business in normal course and loans were being repaid, which was not correct as loans were being given by RFL which were either diverted to erstwhile promoter group entities or were used for repayment of earlier loans which were being diverted to erstwhile promoter group entities. In order to avoid classification of earlier loans as Non Performing Assets, a rollover of loan was facilitated, whereby a new loan would be given to one entity which would transfer funds to other entity which in turn would use the said money to repay an earlier loan taken by the said entity from RFL itself. A false picture in the financials of RFL was given that the laons granted by RFL are being paid regularly, when factually the funds of RFL were used to repay the earlier loans given by RFL. This essentially led to misrepresentation in the financials of RFL. Consequently, the financial statements of REL also did not disclose the true picture and were misrepresented and the shareholders were misled.

569. The Noticee No. 45 has contended that he was Group CEO of REL for a very brief period of time and had granted the certification on the basis of Certification given by CEO of RFL and other executives. The said contention of the Noticee No. 45 cannot be accepted for reason that as a member of RMC he had approved various loans to aforesaid entities, which loans were ultimately diverted to erstwhile promoter group entities. Therefore, the Noticee No. 45 while giving CEO certification was aware of the said loans transactions and hence, should have been cautious.

570. In view of the aforesaid, I note that the Noticee No. 45 had given CEO certification for the financial results of REL for FY 2016-17 which did not give true picture as explained above and hence there was misrepresentation of financial results to the shareholders.

MR. DALJIT SINGH (NOTICEE NO. 46)

A. Sum and Substance of Allegations

571. In the SCN qua Mr. Daljit Singh (Noticee No. 46), it is alleged that he had played a role in granting approval of loans by RFL to various borrower companies and/or as director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. *Service of SCN & Subsequent replies*

572. The SCN was delivered to the Noticee No. 46 by SPAD on February 22, 2021. Vide e-mail dated March 12, 2021, the Noticee No. 46 informed that he has filed a settlement application under SEBI (Settlement Proceedings) Regulations, 2018 (Settlement Regulations) which was withdrawn by the Noticee No. 46 on September 27, 2021. Pursuant to the same, a hearing notice dated October 01, 2021 was sent to the Noticee No. 46. Thereafter, the Noticee No. 46 vide letter dated October 6, 2021 sought annexures to SCN and also sought inspection of documents in the matter. As per the request of the Noticee No. 46, the opportunity of inspection was provided to the Noticee No. 46 on November 26, 2021 wherein the authorized representative of the Noticee No. 46 duly carried out the inspection of documents and the annexures to SCN were also provided in CD

Thereafter, vide hearing notice dated December 23, 2021, a hearing opportunity was provided to the Noticee No. 46 on Januay 7, 2022 which was adjourned to January 17, 2022 on request of the Noticee No. 46. The Noticee No. 46 filed reply dated January 15, 2022. On January 17, 2022, the Noticee No. 46 was duly represented by his authorized representative through webex and thereafter filed additional reply dated January 27, 2022. In the reply and on the said date of hearing, the Noticee No. 46 made submissions *inter alia* as under:

(i) The Noticee No. 46 was a non-executive director of RFL from October 26, 2016 till January 29, 2018.

(ii) The Notice is vague and does not make any specific averments against the Noticee No. 46 to substantiate the allegations made therein.

(iii) The Noticee No. 46 did not attend most of the meetings of the Loan Investment and Borrowing Committee and Risk Management Committee in which alleged transactions were approved. Further, some of the meeting attended by the Noticee No. 46 were attended through audio call, which is not constituted as participation in the meeting, in terms of Guidance Note on meetings of the BoD issued by the Institute of Company Secretaries of India (Guidance note by ICSI).

(iv) LIBC and RMC did not blindly approve the transactions and only after examination of various information in relation to concerned entity the transactions were approved. The level of due diligence and independent thought that should be expected of the Noticee No. 46 should be based on a reasonable person standard. In this regard, the Noticee No. 46 has also referred to the decision of the Hon'ble Supreme Court in Chander Kanta Bansal Vs. Rajinder Singh Anand (2008) 5 SCC 117, decision of Ld. SAT in Almondz Global Securities Ltd. Vs. SEBI [2016] 136 SCL 320 (SAT) and SEBI Order dated February 09, 2017 passed in the matter of Brooks Laboratories ltd.

(v) In respect to transactions between RFL and OSPL and BRNL, the LIBC had carefully examined the background of the entities including the shareholding pattern, key financials and the letter of comfort issued by the erstwhile promoter of SREI group companies.

(vi) Further, in respect of intra-day loan to Oscar Investment Ltd., the RMC was presented with a detailed proposal note that covered the background of the borrower, details of directors, shareholding pattern, financial synopsis, credit ratings and ony after carefaul examination o fthe same loan was approved.

(vii) The Noticee No. 46 cannot be held liable for the acts of the company which are beyond his control or not within his mandate. In this regard, the Noticee No. 46 has referred to Section 149(12) of the Companies Act, 2013, Ministy of Corporate Affairs (MCA) Circular No.1/2020

and various cases laws such as the Hon'ble Bombay High Court decision in Chaitan Maniar Vs. State of Maharashtra 2004 (2) MhLJ 1035, the Hon'ble Supreme Court decision in Pooja Ravinder Devidasani Vs. State of Maharashtra & Ors. AIR 2015 SC 675, the Hon'ble SAT decisions in Rahul H. Shah Vs. Securities and Exchange Board of India [2004] 63 CLA 1 (SAT) and Havemore Financial Services (I) Ltd. and Ors. Vs. SEBI.

(viii) The Noticee no. 46 was not aware of the fraud perpetrated by the erstwhile promoters.

(ix) RMC had brought issues to light before the erstwhile promoters from time to time for instance RMC had expressed concerns regarding the increase of corporate loan book portfolio beyond the commitment given to the RBI for reduction of the CLB portfolio. The said concerns were assuaged by Mr. Malvinder Singh, erstwhile erstwhile promoter of REL.

(x) After an e-mail sent by Resurgence to BoD of RFL inter alia listing out several lapses in compliance on part of the Company, the Noticee No. 46 tendered his resignation on September 15, 2017. It is only after assurances given by the erstwhile promoters of REL, the Noticee No. 46 withdrew his resignation on November 11, 2017. However, since no steps were taken by the erstwhile promoters in relation such to non-compliances, the Noticee no. 46 resigned with effect from January 29, 2018.

C. *Consideration of Allegations, Replies and Submissions*

573. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 46 and his replies/written submissions.

574. The Noticee No. 46 has sought complete investigation report and has also contended that the SCN is vague and does not make any specific averment against him. These contention is dealt in detail in part III of this order which deal with the common contentions of the noticees.

575. The Noticee No. 46 was non-executive director of RFL from October 26, 2016 to January 29, 2018. As a member of RMC and LIBC, the Noticee No. 46 had approved following loans/investments in NCDs:

Entity	Loan amount/Investment (INR) (in Crores)	Security/Rating	Date of Approval	Diverted/Mis-utilised Amount (INR) (in Crores)

Oscar investments Limited	Upto 150 Crores	Unsecured	November 03,2016	no diversion observed in the Investigation
OSPL and BRNL (investment in NCDs) (approved as a member of LIBC)	200 Cr and 50 Cr	Unrated	December 14, 2016	200
Total				**200**

576. The Noticee No. 46 has not denied that he had approved the aforesaid loan to Oscar Ltd. and investment in NCDs of OSPL and BRNL. In relation to approval of investment in NCDs of OSPL and BRNL, the Noticee No. 46 has claimed that proper due diligence was done as LIBC had carefully examined the background of the entities including the shareholding pattern, key financials and the letter of comfort issued by the erstwhile promoter of SREI group companies. In this regard, it important to note that the NCDs of BRNL and OSPL were unrated. Further, OSPL's investment in shares of BRNL formed 99.99% of its total asset and as on December 14, 2016 OSPL already had a long term borrowing of Rs. 195.16 Crores from SREI. Therefore, the OSPL's investment in shares of BRNL was not a sufficient security. In addition to that, OSPL never had any business operations and its financial statements til FY 2016-17 did no comprise of Profit and Loss Accounts. The investment in NCDs of OSPL still remains unpaid and RFL has initiated Insolvency Proceedings under IBC for recovery of Rs. 200 Crores from OSPL. Furthermore, relying on letter comfort issued by SREI and RFL's legal counsel opinion on enforceability of the same alone could not be considered as sufficient due diligence, as the Noticee No. 46 did not consider the fact that OSPL's financial position and assets were weak and were not sufficient to honour the redemption of unrated NCDs by OSPL. I note that investing in NCDs is akin to granting loan and a reasonable person would not approve a loan to an unrated company with no sound financials record, merely on the basis of a letter of comfort and legal opinion on the same. The Noticee No. 46 was expected to be cautious particularly when the NCDs of OSPL were unrated and was require to look at the financial health of OSPL which the Noticee No. 46 failed to do.

577. It is further observed that, on June 14, 2017, as a member of LIBC, the Noticee No. 46 had approved the extension of the tenure of investment in NCDs of OSPL from six months to one year considering the attractive yield and other credit credentials of OSPL and had also approved conversion of investment in NCDs of BRNL to Inter-Corporate Loans. However, in respect of investment in NCDs of OSPL, as noted above, no proper due diligence was done and even after

that the Noticee No. 46 as member of LIBC had approved the extension of tenure of the said investment in NCDs of OSPL. Further, OSPL's investment in shares of BRNL constituted 99.99% assets of OSPL which cannot be termed as sound credit credentials.

578. The Noticee No. 46 has contended that the due diligence expected should be that of a reasonable person standard and he was required to do everything reasonable and not everything possible. In this regard, the Noticee No. 46 has referred to the Hon'ble Supreme Court decision in Chander Kanta Bansal Vs. Rajinder Singh Anand (Supra), decision of Ld. SAT in Almondz Global Securities Ltd. Vs. SEBI (Supra) and SEBI Order dated February 09, 2017 passed in the matter of Brooks Laboratories ltd. The ratio derived from the said case laws is that the due diligence and care required is that of reasonable person in any given situation. As explained above, while approving the investments in NCDs of OSPL, the Noticee No. 46 did not carry out the proper due diligence even by a reasonable man standard as OSPL's investment in shares of BRNL formed 99.99% of its total asset and as on December 14, 2016 OSPL already had a long term borrowing of Rs. 195.16 Crores from SREI. With such financial position of OSPL, a layman would not have approved the investment in NCDs of OSPL. Therefore, the Noticee No. 46 failed to carry out reasonable due diligence and hence, case laws cited by the Noticee No. 46 cannot come to his rescue.

579. As regards approval for investment in NCDs of BRNL and subsequent conversion of investment in NCDs of BRNL to Inter-Corporate Loans, as noted in the earlier portions of this order, BRNL has repaid the amount of Rs. 50 Crores and the same has not been observed to have been diverted/misutilised. Therefore, no adverse inference can be drawn in respect of investment in NCDs of BRNL.

580. The Noticee No. 46 has contended that, he had attended the meeting dated December 14, 2016, wherein investments in NCDs of OSPL and BRNL were approved, through audio calls. Therefore, in terms of Guidance Note on Meetings of the BoD issued by ICSI (Based on Revised SS-1 effective from October 1, 2017), the Noticee No. 46 cannot be said to have attended the said meeting. The relevant portion of the said Guidance Note of ICSI is quoted below:

> *"1.2.3 Any Director may participate through Electronic Mode in a Meeting unless the Act or any other law specifically prohibits such participation through Electronic Mode in respect of any item of business.*
> *[...]*

Participation of a Director in a Meeting via telephone or tele-conferencing or any other Mode which does not conform to the requirements of the relevant provisions of the Act cannot be considered as participation of a Director through Electronic Mode.
If due to any technical issue emerged during the Meeting held through Electronic Mode, a Director chooses to participate through telephone or tele-conferencing for remaining Meeting, then such participation cannot be considered as participation of a Director through Electronic Mode and his presence should not be counted for the purpose of quorum."

581. The aforesaid guidance note has been issued by ICSI under section 118(10) of the Companies Act, 2013 which requires Companies to follow secretarial standards with respect to general and board meeting specified by ICSI and approved by Central Government. As per the aforesaid provision of Guidance Note, the participations by Director in a meeting via telephone or any other mode cannot be considered as participation and his presence should not be counted for the purpose of quorum. The aforesaid provision is relevant for ascertaining the quorum of the meeting and does not specifically protects a director from his liability in respect of the decision approved by him.

582. Therefore, even though the Noticee No. 46 participation through audio call was taken for ascertaining the quorum, the fact remains that he had approved the investment in NCDs of OSPL and therefore, cannot escape the liability for failure to exercise due diligence and independent judgment while approving the said investment in NCDs. Further, the Noticee No. 46 has himself claimed that proper due diligence was done while approving investment in NCDs of OSPL. Therefore, the argument of the Noticee No. 46 that he had attended the meeting through audio call hence cannot be held liable, does not merit consideration.

583. As regards the approval of loan to Oscar Investment Ltd. on November 03, 2016, RMC had approved two loans to Oscar i.e. one on November 03, 2016 and another on December 27, 2016. The extract of the Investigation Report shows that the loan granted to Oscar on December 27, 2016 and January 1, 2017 were diverted to RHC Holding (wholly owned and controlled by Singh brothers) which were granted after the loans to Oscar were approved on December 27, 2016. Therefore, in respect of approval of loan to Oscar on November 03, 2016, the extract of Investigation Report does not capture any diversion/mis-utilisation of funds. Hence, the same is not considered for deciding violation against the Noticee No. 46.

584. The Noticee No. 46 has also contended that since he was non-executive director of RFL, as per section 149(12) of the Companies Act, 2013 he cannot be held liable for acts of the company which were beyond his control or not within his mandate. The Noticee No. 46 has also referred to General Circular No. 1/2020 dated March 02, 2020 issued by MCA, which inter alia provides that section 149(12) is a non-obtante clause and in case, lapses are attributable ot the decision of the Board or its committees, all care must be taken to ensure that civil or criminal proceedings are not unnecessarily initiated against the independent directors or the non-executive directors. As per the said provision and Circular, a non-executive or independent director can only be held liable in respect of acts of omission or commission by a company if the same had occurred with his knowledge, attributable through Board processes and with his consent or connivance or he had not acted diligently.

585. As noted above, the Noticee No. 46 was an active member of LIBC of RFL and had approved investments in unrated NCDs of OSPL without reasonable due diligence and independent judgement as explained above. Since section 149(12) allows to take action against non-executive director if he had not acted diligently, the Noticee No. 46 is liable for approving the investment in NCDs of OSPL as the said approval was given without reasonable due diligence on part of the Noticee No. 46 which ultimately led to diversion of funds of REL through RFL to erstwhile promoter group entities as explained above. Further, the said decision of approving the investment in NCDs which led to diversion of funds of REL through RFL, was taken by the Noticee No. 46 as a member of LIBC and not by the board of RFL. Hence, MCA Circular dated March 02, 2020 cannot come to the rescue of the Noticee No. 46 as the decision in respect of the approval of NCDs of OSPL was specifically assigned to LIBC of which the Noticee No. 46 was member.

586. The Noticee No. 46 has also referred to the Hon'ble Bombay High Court decision in Chaitan Maniar Vs. State of Maharashtra (Supra), the Hon'ble Supreme Court decision in Pooja Ravinder Devidasani Vs. State of Maharashtra & Ors. (Supra) and the Ld. SAT decisions in the matter of Rahul H. Shah (Supra) and Havemore Financial Services (I) Ltd. and Ors. (Supra). The crux of the ratio derived from the said case laws is that a non-executive director cannot be held liable for acts of company if he is not concerned with the day to day affairs of the company or not in charge of and responsible for the conduct of business of company. In the instant matter, the Noticee No. 46 as member of LIBC of RFL had approved investment in NCDs of OSPL which led to diversion of funds of REL through RFL to erstwhile promoter group entities of REL/RFL. Since the Noticee No. 46 was in charge of approving investments by RFL as a member of LIBC wherein he failed to carry out

reasonable due diligence and approved the investment in NCDs of OSPL in hastily manner, the case laws cited by the Noticee No. 46 in respect of liability of non-executive directors cannot help the Noticee No. 46 in any manner.

587. The Noticee No. 46 has also contended that on complaint of Resurgence against lapses/non-compliances by RFL, he had tendered his resignation in September, 2017, however, on assurances from the erstwhile promoters he had revoked his resignation in November, 2017 and since no steps were taken in relation to such non-ecompliance he resigned with effect from January 29, 2018. I note that the said action of the Noticee No. 46 comes almost one year later from the date of approval given by the Noticee No. 46 in respect of investment in unrated NCDs of OSPL. Such action by the Noticee No. 46 at a very later stage cannot be considered as fulfillment of due diligence as the Noticee No. 46 was expected to be cautious and exercise proper due diligence while approving investments as a member of LIBC which the Noticee No. 46 failed to carry out as explained above.

588. In view of the aforesaid, I note that the Noticee No. 46 while approving the investments in NCDs of OSPL did not exercise independent judgment and proper due diligence, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL.

MR. AVINASH CHANDER MAHAJAN (NOTICEE NO. 47)

A. Sum and Substance of the Allegations

589. In the SCN qua Mr. Avinash Chander Mahajan (**Noticee No. 47**), it is alleged that:

(a) He had played a role in granting approval of loans by RFL to various borrower companies and/or as director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

(b) As a director of REL he failed to discharge his duty in an effective manner and to abide by principles governing, disclosures and obligations, which was required in the best interests of the listed company and its shareholders. Therefore, it is alleged that the Noticee No. 47 has violated Clause 49(I)(D) of the Listing Agreement, 49(I)(D)(1)(b);

49(I)(D)(2)(f),49(I)(D)(3)(c),(f),(g),(i),(I), 49(II)(E)(2) of the Listing Agreement (post circular dated April 17, 2014) 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.

B. Service of SCN and subsequent replies

590. The SCN was delivered by SPAD on February 20,2021. The Noticee no. 47 replied vide his letter dated March 01,2021. In the interest of Justice, Notice of Hearing dated August 06,2021 was sent to him by SPAD which was delivered on August 11,2021. The Noticee No. 47 appeared through webex on August 24,2021. Pursuant to the hearing, the Noticee No. 47 submitted additional documents vide its letter dated August 26,2021 in support of his contentions. The Noticee No. 47 vide his letter dated March 01,2021 and August 26,2021 has submitted as follows:

(i) History of CLB book in the books of RFL through which the erstwhile promoters friendly or controlled entities were financed by RFL dates back prior to 2010 and is not a new product which was introduced sometimes in 2016-17.CLB outstanding had been ranging around 2000-25000 Crores since 2012-13 through ever greening of loans given earlier through circular movement of funds thus there was no outlay of fresh funds by recirculation of old dues through name changing

(ii) The executives, internal Auditors, Statutory Auditors and Banks financing them remained the same except few independent directors including the notice who was kept dark about round tipping unless letter dated January 27,2017 sent by RBI

(iii) The company was run by highly qualified and handsomely paid professionals and executives under the eyes of internationally acclaimed auditors, both internal and statutory, to run the affairs of the Company as per Reserve Bank of India and SEBI Guidelines. The Company financials were certified as true and in compliance with regulatory norms by internal and statutory auditors. An independent director who is stationed outside has to rely on the information provided by Company executives, policies and internal auditor and if all these watchdogs are declaring everything as fine and there is no wrong doing, the independent director has to feel the same way unless some development takes place.

(iv) The Noticee had been telling that the company should comply with RBI norms and it was advised to him that they are in regular touch with RBI and as the CLB is very old it will take time to come down.

(v) The Noticee divided the 18 accounts used for diversion of funds through CLB in three parts:

(a) Where Sanction and disbursement had taken place before October 26,2016 before joining the Board of RFL

(b) Where Sanction has taken place after October 26,2016 but he could not attend the meetings, as the meetings were called with short notice of few minutes to an hour and he was not a party to decision making. In two cases i.e 26/09/2017 and 16/10/2017, he protested the consideration of CLB proposals but the committee went ahead while recording his concerns

(c) Sanction on 28/06/2017, a meeting was called without notice and agenda but minutes are fraudulently drawn to show his presence and which were not confirmed by him.

(vi) The Noticee no. 47 submitted that the meeting on 28/06/2017 which the Noticee allegedly did not attend and wherein a large number of loan proposals to related parties were sanctioned was called upon without giving the mandatory notice under Section 173 and no such agenda to sanction loans were sent to members. Further the Noticee no. 47 submitted his reasons for not attending the meeting which is alleged to have been taken place by him by providing movement timeline map.

(vii) The Noticee no. 47 has also submitted that he did not attend most of the meetings of RMC in 2017 which were called to approve the loans as all these meeting had been called by a notice sent 15-45 minutes before the commencement of the meeting.

(viii) The Noticee has stated that as reported Loans granted to BRNL had already been paid and as regards loans to OSPL it was purely considered on the merits of the proposals with reasonable risk mitigation safeguards. The proposal was brought to the consideration of the committee purely as an investment proposal of a NBFC which had been in the business of lending against shares and equity funding.

(ix) Regarding investment in debentures of OSPL, the Noticee submitted that the executives of RFL proposes to invest in debentures of BRNL, a SREI group Company and OSPL and called the meeting with ultra-short notice of few minutes and agenda was circulated. The Noticee was asked to attend the meeting through Audio Call and relied upon full time executives of the company and the due diligence carried by them.

(x) Independent directors are not officers of the company and they do not participate in the day to day operations of the company

(xi) Due diligence is the primary job and duty of the credit department and risk department of company to appraise the request for credit facility as per loan policy, which if found viable is vetted by Chief Risk officer(CRO) fur further scrutiny and then is vetted by MD & CEO and if

cleared by him, the proposal is bought to the committee members for deliberations for collective decision.

(xii) The concurrent and internal auditors are supposed to bring out clearly any frauds/division of funds and any other malpractice being practiced to knowledge of Board for the benefits of non-executive directors.

C. *Consideration of Allegations, Replies and Submissions*

591. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 47 and his replies/written submissions.

592. The Noticee No. 47 was Independent Director of REL during the investigation period from March 01,2013 to November 29,2017 and independent director of RFL from October 26,2016 to November 29,2017. Being an independent director, he was also made a member of RMC of RFL during his tenure at RFL. Further, he was also a member of RPT-SC of REL which was tasked with considering and approving the loans indirectly or directly controlled or influenced by promoters.

593. As a member of RMC and LIBC, the Noticee No. 47 had approved following unsecured loans and investments in NCDs of other entities:

Applicant	**Loan amount/Investment (INR) (in Crores)**	**Security/Rating**	**Date of Approval**	**Diverted+Mis-utilised Amount (INR) (in Crores)**
Oscar investments Limited	Upto 150	Unsecured	November 03,2016	no diversion observed in the Investigation
OSPL and BRNL (investment in NCDs) (approved as a member of LIBC)	200 and 50	Unrated	December 14, 2016	200
Oscar investments Limited	Upto 200	Unsecured	December 27, 2016	125
Fern	150	Unsecured		150

Torus	150		June 28, 2017	5
Rosestar	150			150
Ad Advertising	100			100
Volga	150			150
Tripoli	150			150
Total				**1030**

594. While it is noted from the minutes of RMC dated June 28,2017 that the Noticee No. 47 had participated in the meeting, he has contended that the minutes of that meeting were fraudulently drawn without his knowledge and consent as he was in the Hotel/road during the time mentioned in the minutes of the meeting. In support of his contention, he has provided his movement timeline map extracted from google. After perusal of the the movement timeline map provided by Noticee No. 47, the same is unclear and without any name. Moreover, the timeline does not prove anything and also cannot be verified by independent sources.

595. The Noticee No. 47 has explained that due to ultra-short notice or no notice/misleading notice given by Company Secretary, while summoning the meeting of RMC for considering loan proposals he could not attend meetings of such RMC. Further, he has stated that company had violated the requirement of giving 7 days' advance notice as provided under Section 173(3) of the Companies Act ,2013 which requires the CS or authorized officer to issue notice to all the members to attend the meeting informing them about venue, date and time of the meeting along with agenda to be discussed and considered. Section 173(3) of the Company Act, 2013 interalia provides that meeting of the Board shall be called by giving not less than seven days' notice in writing to every director at his address registered with the company. Provided that a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting. Provided further that in case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

596. Accordingly, giving seven days' notice is not mandatory and meeting may be called at shorter notice also to transact urgent business. Accordingly, compliance with mandatory seven days' notice is merely a technical compliance and does not invalidate the proceedings of the meetings. Moreover, the Noticee No. 47 or any other attendee did not raise any objection during and after

such meeting. Further, from the documents supplied by the Noticee No. 47, it is gathered that he did not raise any concern regarding calling meeting at short notice in violation of Section 173(3) before any board meeting or to the company or its authorized representative. Section 173(4) inter alia states that every officer of the company whose duty is to give notice under this section and who fails to do so shall be liable to a penalty of twenty-five thousand rupees. In view of the said provision, the Noticee No. 47 could have raised concern in respect of not providing seven days' notice for the meeting which he did not raise even after knowing that the same is liable for penalty. It can be safely inferred that raising of such contention by Noticee No. 47 after issuance of SCN may be an afterthought and that he willingly took part in the meetings and was knowingly involved in the decision making process as evidenced by his presence.

597. The Noticee No. 47 was a member of RPT-SC of REL. It was apprised to the committee that IFC which was a shareholder of REL had through an email communication dated February 22,2016 had requested that "all fresh transactions related to the ICD book, that may be associated and or indirectly controlled or influenced by the sponsors should be cleared prior to any commitment/disbursement by the Related Sub-Committee of Religare Enterprises Limited. As per IFC SHA, the same is covered broadly under Section 3.04 and specifically under Section 3.04 (a)(iii)".

598. The Noticee No. 47 being a member of RPT-SC also approved the following loans from RFL to entities known to erstwhile promoter Group for general funding requirement. Moreover, in some of the transactions even the principle repayment was not defined and it was left on the mutual consent of both the parties:

Entities	**Loan Amount (in INR) (in crores)**	**Security**	**Date of Approval**	**Diverted+Mis-utilised Amount (INR) (in Crores)**
Tripoli Investments	150	Unsecured	February 24,2016	150
Volga	100			100
Torus	125			125
Zolton	165	Unsecured	August 31,2016	160

Artifice	165			160.98
Modand Wears	162			118.08
Oscar Investments	150	Unsecured	November 03,2016	No diversion observed in the investigation
Oscar Investments	200	Unsecured	December 27,2016	125
A & A Capital Services Pvt Ltd.	Up to 100	Unsecured	January 31,2017	90
Annies Apparel Pvt Ltd.	Up to 100			75
Sridham (Abhiruchi) Distributers pvt Ltd	Up to 100			92.40
Gurudev Financial	100	Unsecured	August 10, 2017	97.5
Tara Alloys Ltd.	85		(post facto approval of loan already disbursed on May 24, 2017))	84
Total				**1377.96**

599. It is not in dispute that the Noticee No. 47 had attended the aforesaid meetings and approved the loans to various entities which were ultimately diverted to the erstwhile promoter group entities. The aforesaid loans were unsecured and were granted to such entities some of which either had negative net worth or negative revenues or had negligible net worth in comparison to the amount of loan granted to them. For instance, Tripoli had made loss in the previous financial year and its net worth was in negative, still a loan of Rs. 150 Crores was given to it. Similarly, A&A Capital also had negative net worth and revenue and Annies Apparel had negative net worth and its revenue was in lakhs. Further, Oscar also booked a loss of Rs.33.6 Crores in FY-2015-16 as per the proposal note for granting loan to Oscar. No evidence has been brought on record as to why loans in Crores were approved to such entities and that to without any collateral or any other guarantee or any other precautionary steps to ensure the repayment of the loans.

600. Furthermore, on August 10, 2017 the Noticee No. 47 also granted post facto approval to loans disbused to Gurudev and Tara without any due diligence regarding the financial position and repayment capacity of the said entities. As an independent director of REL and as a member of RPT-SC of REL, the Noticee No. 47 was required and expected to exercise independent due diligence and judgment without being influenced by the decision of RMC of RFL.

601. Further, the fact that RBI had been raising various concerns in respect of corporate loan book of RFL has not been denied by the Noticee No. 47. Without giving heed to such concerns, the Noticee No. 47 approved granting of loans with a mere advice to RFL to ensure that overall CLB should not go up on the other hand for the same loan proposals Mr Monish Dutt (nominee director and member of RPT-SC) had opposed the proposal, still RPT-SC went ahead to approved the loans.

602. In the light of aforesaid facts, the Noticee No. 47 ought to have raised red flags as to why loans were granted to such entities without following basic loan sanctioning requirement or proper scrutiny. For instance, the Noticee No. 51 had raised red flags regarding the loans and had also alerted IFC regarding granting of such loans by RFL which ultimately resulted in formation of RPT-SC. However, no such or any other suitable steps were taken by the Noticee No. 47 as an independent director of REL and RFL.

603. The Noticee No. 47, as a member of LIBC, had also approved the investment in unrated NCDs of BRNL and OSPL on December 14, 2016 with a horizon of 6 months. The investment NCDs of BRNL was stated to have been approved as it was a SREI backed entity and the investment in OSPL was approved as there was sufficient security available in the form of investment in shares of BRNL. However, the fact remains that the NCDs of BRNL and OSPL were unrated. Further, OSPL's investment in shares of BRNL formed 99.99% of its total asset and as on December 14, 2016 and OSPL already had a long term borrowing of Rs. 195.16 Crores from SREI. Therefore, the OSPL's investment in shares of BRNL was neither a sufficient security nor its financial position was strong enough to grant such huge loans or investments. The investment in NCDs of OSPL still remains unpaid and RFL has initiated Insolvency Proceedings under IBC for recovery of Rs. 200 Crores from OSPL. The Noticee No. 47, as a member of LIBC, on June 14, 2017 had extended the tenure of investment in NCDs of OSPL from six months to one year considering the attractive yield and other credit credentials of OSPL. The only asset of OSPL in form of shares of BRNL could not be considered as sound credit credentials. Therefore, while granting approval for investment in

NCDs of OSPL, the Noticee No. 47 did not exercise adequate due-diligence and allowed the promoters to syphon of the money of REL through RFL.

604. As regards investment in NCDs of RFL, as noted in earlier portion of this order, BRNL has repaid the amount of Rs. 50 Crores and no diversion of funds have been observed in respect of the same. Therefore, no adverse inference can be drawn in respect of investment in NCDs of BRNL.

605. The Noticee No.47 has contended that he had objected sanctioning of loans by RMC of RFL on September 26, 2017 (loan to Platinum Infrastructure) and on October 16, 2017 (loan to Religare Comtrade Ltd.). In this regard, from the minutes of the said meeting of RMC, I note that the Noticee No. 47 had not participated in the said meetings. Further, in respect of loan dated September 26, 2017 to Platinum, the Noticee No. 47 has enclosed an e-mail whereby he objected the giving of the said loan. However, I note that before the said meeting, the Noticee No. 47 had not objected any loan and had approved various diverted loans including the post facto approval of loan in August, 2017 for a loan which was already disbursed in May, 2017. As regards diverted loans sanctioned on October 16, 2017, the Noticee No. 47 has not provided any communication in form of e-mail and instead has provided an unsigned typed document which cannot be relied upon.

606. The Noticee No. 47 being ex-banker had vast professional experience in the banking sector. As discussed above, Noticee No. 47 had not raised red flags while approving the diverted loans neglecting the fact that the entities were having negative networth/revenue or negligible networth revenue in comparison to the amount of loan. It is not the case of the Noticee No. 47 that he was not aware of the entities to whom loans were granted. The Noticee No. 47 had also approved certain loans ever after RBI issued letter dated January 27, 2017 whereby RBI had inter alia raised concerns regarding transfer of funds to promoter group entities, granting loans to entities having operational losses.

607. In view of the aforesaid, I conclude that the Noticee No. 47 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers).



608. It is also alleged in the SCN that the noticee no. 47 failed to abide by the principles governing disclosures and obligations with respect to listed companies as specified in relevant clauses of listing agreement and provisions of LODR Regulations, 2015.

609. In this regard, it is observed that RFL continued to grant such loans to entities with poor financials and unimpressive credentials primarily as they were known to erstwhile promoters. The noticee no 47 was part of the approval process for the loans under CLB. The matter pertaining to RFL's CLB should have been carefully monitored considering RFL was a material subsidiary of REL.

610. As observed above, various such loan proposals were placed before RPT-SC of REL and RMC of RFL of which the Noticee No. 47 was a member during the Investigation Period. It is noted that the Noticee No. 47 as contended by him placed undue reliance on the assurances of the erstwhile promoters of the Religare group and other executives of the RFL/REL and in the process, failed to act in the best interest of the public shareholders of REL. The same exhibits a casual and negligent approach on the Noticee No. 47 part and it is concluded that he did not act in the best interests of their company and shareholders. The Noticee No. 47 while acting diligently could have averted the gross misuse and diversion of funds from the subsidiary of a listed company for the benefit of their erstwhile promoters, and could have alerted the enforcement agencies about such blatant misuse.

611. It is also alleged in the SCN that the Noticee No. 47, as an independent director of REL, failed to abide by the principles governing disclosures and obligations as prescribed under relevant clauses of listing agreement and relevant provisions of LDOR Regulations. The Noticee No. 47 had played a crucial role in loan approval process as a member of RMC of RFL as well as a member of RPT-SC of REL. By virtue of being a member of RMC of RFL and RPT-SC of REL, he was supposed to independently analyse the requirement of giving such huge loans to entities with poor financial position without being top management of REL/RFL, particularly when RFL is a material subsidiary of REL. As a member of committees which approved loans, the Noticee No. 47 as an independent director of REL should have raised red flags on the loan proposals to entites having negative or negligible networth. If had raised such falgs as member of the loan approving committees, the true picture of business of RFL would come to known and the loss of funds of REL through RFL could have been avoided.

612. Accordingly, for the reasons quoted above, I conclude that the Noticee No. 47 has failed to discharge his duty as an independent director of REL and attracts penalty under relevant provisions of LODR Regulations.

MR. BIPIN KABRA (NOTICEE NO. 49)

A. Sum and Substance of the Allegation

613. In the SCN qua Mr. Bipin Kabra (Noticee No. 49), it is alleged that, he had played a role in granting approval of loans by RFL to various borrower companies and/or as director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and Subsequent replies

614. The SCN dated February 15, 2021 was sent to the Noticee No. 49 which was delivered on February 19, 2022. Thereafter, the Noticee No. 49 filed the settlement application under Settlement Regulations vide letter dated March 30, 2021 which was rejected vide e-mail dated November 25, 2021 as the amount proposed by the Noticee No. 49 was not in line with the Settlement Regulations. Pursuant to the same, vide letter dated January 25, 2022, the Noticee No. 49 was accorded an opportunity of hearing on February 10, 2022 which was adjourned to February 23, 2022. The Noticee No. 49 filed his reply dated February 8, 2022 and also availed the opportunity of hearing on February 23, 2022 and filed additional reply dated February 28, 2022. Further, on request of the Noticee No. 49, vide e-mail dated February 24, 2022, the Noticee No. 49 was again provided with the the details of approval in respect of loan to Neelanchal Holdings Pvt. Ltd. and bank statements of Best healthcare and A-1 Book Company. The Noticee No. 49 filed further submissions on February 28, 2022. In the replies and in the hearing dated February 23, 2022, the Notice No. 49 *inter alia* submitted as under:

(i) The Noticee No. 49 joined RFL in June 2013 as Chief Financial officer and resigned from RFL in March 2017.

(ii) The SCN is vague and does not specify exact charge against the Noticee No. 49.

(iii) The Noticee No. 49 relied on para 7(vii) of SCN which deals with approval leading to diversion.

(iv) In respect of loan granted by LVB to RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL on FDs of RFL, the Noticee No. 49 has submitted that he was vehemently against doing any related party transactions in a camouflaged manner and therefore refused to sign pledge document that would enable erstwhile promoters to receive funds from LVB by avoiding scanner of regulatory authorities. He had expressly provided negative views in this regard vide e-mail dated November 11, 2016.

(v) In respect of NCDs investment in OSPL and BRNL, the Noticee No. 49 has submitted that the he had not approved the said loans. The Investment Policy governing the said loans were approved by BoD of RFL and he was not part of it. As per investment policy, if the rating of proposed investment was below AA-/AA+, the investment decisions could only be taken by LIBC. Since the ratings to OSPL and BRNL were not assigned, the decision to invest could only be taken by the LIBC committee. Further, the OSPL and BRNL belonged to SREI group which at that time was AA rated group. Therefore, the decisions of LIBC prima facie seems to be financially sound.

(vi) The CLB were approved after they were sanctioned by the appropriate authority and committees at RFL as per the process laid down in the CLB policy. The CLB policy refers to the policy approved by the BoD of RFL or the RMC and the Notice No. 49 was not part of BoD of RFL or the RMC. The Noticee No 49 did not have authority to contradict or work outside the framework of the CLB Policy.

(vii) The Noticee No. 49 approved loans to Gurudev Financials, Neelanchal Holding, Kalyan, Spinstatr, Nikhil Holding and Annies Appparel. In respect of the said loans, the Noticee No. 49 has submitted that the extract of the Investigation Report only captures gross amount and does not capture net amount. Further, the Noticee No. 49 submitted that some bank statements such as Arihant, A1-Book Company were missing. The Noticee No. 49 also questioned the authenticity of the excel sheet of bank statements provided along with SCN.

(viii) The Noticee No. 49 has further contended that the diversion has occurred at the 3rd or 4th level of the allegedly diverging transactions and that it would not be reasonably possible to monitor flow of money or usage of money by the borrowers as NBFC do not have access to the banking transactions of borrowers.

(ix) In respect of diversions of loan granted to Religare Comtrade on October 16, 2017, the Noticee No. 49 has submitted that his last day in RFL was on May 15, 2017 and he was not privy or present when the said diversion took place.

(x) The Noticee No. 49 referring to the order of the Hon'ble Supreme Court in SEBI Vs Kanaiyalal Baldevbhai Patel (Supra), contended that 'inducement' is required to constitute 'fraud' under PFUTP Regulations, 2003 and must be made while "dealing in securities". However, SCN has failed to bring out any such inducement.

(xi) Therefore, the allegations of PFUTP Regulations against the Noticee No. 49 are vague in nature without making out any specific case containing necessary ingredients.

C. *Consideration of Allegations, Replies and Submissions*

615. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 49 and his replies/written submissions.

616. The Noticee No. 49 has contended that the SCN is vague. This contention is dealt in detail in part III of this order which deals with the common contentions of the noticees.

617. From the submission of the Noticee No. 49 that he was CFO of RFL from June 17, 2013 and he had tendered his resignation on March 20, 2017 and his last day in RFL was on May 15, 2017.

618. In respect of loan taken by RHC Holding (wholly owned and controlled by Singh brothers) against FDs of RFL placed with LVB, the Noticee No. 49 has submitted that he had vehemently opposed signing of pledge agreement in respect of the said loan. In this regard, the Noticee No 49 has provided an e-mail dated November 11, 2016 wherein he had raised concerns over granting of loan to RHC Holding (wholly owned and controlled by Singh brothers) against FDs deposited with LVB. The investigation has not brought out the role of the Noticee No. 49 in respect of adjustment of FDs of RFL by LVB towards the dues of RHC Holding. Further, LVB has also not produced any pledge documents in respect of granting of loan to RHC Holding and Ranchem against FDs of RFL. Considering the same and the e-mail dated November 11, 2016 provided by the Noticee No. 49 raising concerns, the loan taken by RHC Holding (wholly owned and controlled by Singh brothers) against FDs of RFL placed with LVB and subsequent adjustment of FDs by LVB against dues from RHC Holding cannot be attributed to the Noticee No. 49.

619. However, in respect of the CLB, the Noticee No. 49 had approved following loans which were ultimately diverted to the erstwhile promoter group entities of RFL/REL:

Entity	Loan amount (INR) (in Crores)	Security	Date of Approval	Diverted+Mis-utilised Amount (INR) (in Crores)
Neelanchal Holding	35 65	Unsecured	June 18, 2014 June 27, 2014	25.25 21
Spinstar (earlier known as Vinjyoti)	60	Unsecured	January 9, 2015	42.8
Nikhil Holding	50	Unsecured	January 8, 2015	44
Annies Apparel	50	Unsecured	March 17, 2015	3
Gurudev Financials	90	Unsecured	August 25, 2015	84.5
Kalyan Vyapaar	95	Unsecured	December 16, 2015	50
Nikhil Holding	50	Unsecured	December 17, 2015	45
Total				**315.55**

620. The Noticee No. 49 has contended that he did not find the approval details of loan to Neelanchal Holding. The details of the approval of loan to Neelanchal Holding were again provided to the Noticee No. 49 vide e-mail dated February 24, 2022 wherein the signature of the Noticee No. 49 is mentioned. Therefore, it is not in dispute that the aforesaid loans were approved by the Noticee No. 49.

621. In respect of transactions of diversion of loans captured by the investigation, the Noticee No. 49 has raised certain contentions which are dealt in the below mentioned table:

Contention of Noticee No. 49	Observations
The extract of the Investigation Report (IR) wrongly captures that Gurudev had received Rs. 90 Crores from A&A Capital as the said amount was received from Artifice.	On page 43 of the extract of the Investigation Report it is correctly captured that Gurudev had received Rs. 90 Crores from A&A Capital through Artifice. Hence, contention is incorrect.
In respect of Gurudev transferring funds to Nishu Finlease on August 28, 2015:	
(i) the extract of the IR wrongly captures the amount transferred by Gurudev to Nishu Finlease as Rs. 85 Crores. The correct amount as per bank statement of Gurudev is Rs. 75 Crores.	(i) On page 43 of the extract of IR, it is captured that Gurudev had transferred Rs. Rs. 85 Crores to Nishu Finlease and and in bracket it is mentioned that Rs. 10 Crores were transferred through Blue Line. Thus, the the extract of IR correctly captures that Rs. 85 Crores was transferred to Nishu Finlease.

(ii) the aforesaid amount transferred by Gurudev to Nishu could have been repayment of amount given by Nishu to Gurudev.	(ii) This may be mere possibility contended by the Noticee No. 49 and no evidence have come on record from the Noticee No. 49 to prove the same. Even otherwise, round tripping of funds by the said entities to enable and suppress the diversion has been demonstrated as above.
In respect of loan given by RFL to Neelanchal on June 18, 2014:	
(i) The extract of IR fails to note that Neelanchal had previously borrowed Rs. 26.3 Crores from Sridham (Abhiruchi) on June 9, 2014 and Rs. 6.5 Crores from Ad Advertising on June 11, 2014. Therefore, the extract of IR does not give the reason of not considering the possibility that the amounts transferred by Neelanchal after taking loan from RFL on June 18, 2014 to Sridham and Ad Advertising could have been repayment of the said amounts borrowed by Neelanchal.	(i) No evidence has come on record from the Noticee No. 49 that Neelanchal had borrowed Rs. 26.3 Crores from Sridham (Abhiruchi) on June 9, 2014 and Rs. 6.5 Crores from Ad Advertising on June 11, 2014. Even assuming that the said amounts were borrowed by Neelanchal, I am not able to fathom as to what was the need of repaying the loans just after 9 and 11 days of taking the loan from Sridham and Ad Advertising respectively and that to repaying the same after taking a loan from RFL. This itself casts a doubt on the genuineness of the said transactions.
(ii) The bank statement of Arihant was not provided.	(ii) The Noticee No. 49 in his reply had claimed that banks statement of Arihant was not provided. However, on the date of hearing or before it, the notice no. 49 did not specifically seek Arihant's bank statement. In any case even though bank statement of Arihant was not provided, as the same could not be located from the voluminous files, but from the bank statement of Sridham which is counter party to it is noted that Sridham had transferred Rs. 13.45 Crores to Decent and Rs. 5.3 to VSB Investment (totaling to R. 18.75 Crores). Therefore, it was clear that Rs. 18.75 Crores was transferred by Sridham to Ad Advertising and then Ad Adveritisng transferred Rs. 25.5 Crores (18.75 Crores + 6.5 Crores). Hence, Airhant was not involved in the diversion and its banks statement was not required to be given.
(iii) The extract of IR considers the loans borrowed by Neelanchal from RFL on June 18, 2014 and June 27, 2014 as original transactions. However, on perusal of the ledgers of Neelanchal in RFL books it is noted that Neelanchal had previously borrowed loans from RFL on April 2, 2013	(iii) Assuming that this contention of the Noticee No. 49 is possible, the same also does not give plausible explanation as to why one NBFC would take loan from other NBFC and then repay the said loan from the said NBFC after taking loan from third NBFC. This itself casts a

and in furtherance of repaying the said loan, Neelanchal had borrowed funds from Sridham and Ad Advertising (through Decent) on June 9, 2014 as noted above.	doubt on the genuineness of the said transactions claimed by the Noticee No. 49. Further, Neelanchal itself has not disputed the said transaction nor contended on these lines.
(iv) Transfer of funds of Rs. 25.25 Crores by Ad Advertising is not reflected in the excel sheet of bank statement of Ranchem and Ad Advertising and instead an amount of Rs. 22.8 Crores is reflected.	(iv) From the bank statements of the Ad Advertising and Ranchem it is noted that on June 18, 2014, Ad Advertising transferred two amounts i.e. Rs. 90 Crores and Rs. 22.8 Crores to Ranchem. In view of the same, Rs. 25.25 Crores were transferred by Ad Advertising to Ranchem by virtue of transfer of the said amounts.
(v) On perusal of the excel sheet of bank statements of Ad Advertising and Ranchem, it is observed that Ad Advertising owed Ranchem Rs. 182 Crores and the amount of Rs. 22.8 Crores transferred by Ad Advertising to Ranchem could have been in furtherance of repayment obligation of Ad Advertising to Ranchem. The extract of IR has erred in not considering this possibility.	(v) This may be mere possibility contended by the Noticee No. 49 and no evidence have come on record from the Noticee No. 49 to prove the same. Even otherwise, round tripping of funds by the said entities to enable and suppress the diversion has been demonstrated as above.
(vi) The debit entry on May 15, 2014 for an amount of Rs. 13 lacs in the excel sheet of Ad Advertising does not have corresponding entry in the excel sheet of Ranchem, which casts a reasonable doubt on authenticity of the excel sheet of Ranchem and Ad Advertising.	(vi) This transaction is not alleged to be diverted in the extract of the IR, therefore the said contention is of no relevance. Nonetheless, in the bank account statements of Ranchem held with Axis Bank there is an entry of Rs. 13 lacs on May 15, 2014. Hence, I do not see any error in the statement.
In respect of loan given by RFL to Neelanchal on June 27, 2014:	
(i) The extract if IR captures that Neelanchal has transferred Rs. 12 Crores to Devera. This amount could have been transferred in furtherance of Neelanchal's repayment obligations to Devera for loan borrowed on June 9, 2014. The loan borrowed by Neelanchal from Devera on June 9, 2014 was for its repayment obligations to RFL for loans borrowed on April 2, 2013. SEBI has erred in not considering the transaction between RFL and Neelanchal on April 2, 2013 as the original transaction.	(i) No evidence has come on record from the Noticee No. 49 that Neelanchal had borrowed Rs. 12 Crores from Devera. Even assuming that the said amount was borrowed by Neelanchal, I am not able to fathom as to what was the need of repaying the loan just after 18 days from taking the loan from Devera. This itself casts a doubt on the genuineness of the said transactions.
(ii) The extract of IR captures that Devera transferred the aforesaid Rs. 12 Crores to Ranchem on June 27, 2014. On the same date i.e. June 27, 2014, Ranchem had transferred Rs. 11 Crores to Devera.	(ii) I note from the bank statement of Devera that the amount of Rs. 11 Crores transferred by Ranchem to Devera was immediately transferred to Sridham. After the said transaction, Devera

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Therefore, in effect, only Rs. 1 Crores were transferred by Devera instead of Rs. 12 Crores as observed in the extract of IR.	received Rs. 12 Crores from Neelanchal which was then transferred to Ranchem. In view of the same, a trail of money of Rs. 12 Crores is established from Neelanchal to Ranchem which transferred the amount to RHC Holding. It appears that the argument of capturing the gross/net amount is being made to cover up the non-genuineness of the transaction.
(iii) The entries appearing in the excel sheet of Ranchem on February 12, 2014 and February 28, 2014, does not have a corresponding entry in the excel sheets of Devera.	(iii) This transaction is not alleged to be diverted in the extract of the IR, therefore the said contention is of no relevance.
(iv) The amount of Rs. 9 Crores transferred by Neelanchal to Fern on June 27, 2014 could have been in furtherance of its repayment obligations towards Fern and SEBI has erred in not considering this possibility.	(iv) This is may be a mere possibility and no evidence has come on record from the Noticee No. 49 to prove the same. In fact Fern and Neelanchal have not disputed the transaction nor contended on these lines..
(v) The extract of IR captures that Fern transferred the aforesaid amount of Rs. 9 Crores to Ranchem on June 27, 2014. However, the extract of IR does not consider that Fern had received Rs. 10 Crores from Ranchem on the same day. Considering the same, in effect Fern has received a net amount of Rs. 10 Crores from Ranchem.	(v) From the bank statement of Fern it is noted that the amount of Rs. 9 Crores transferred by Ranchem to Fern was transferred to Sridham. After the said transaction, Fern received Rs. 9 Crores from Neelanchal which was then transferred to Ranchem. In view of the same, a trail of money of Rs. 9 Crores is established from Neelanchal to Ranchem which transferred the amount to RHC Holding. It appears that the argument of capturing the gross/net amount is being made to cover up the non-genuineness of the transaction.
In respect of loan given by RFL to Kalyan on December 17, 2015:	
(i) On December 17, 2015 an amount of Rs. 50 Crores were loaned by RFL to Kalyan which loaned it to Spinstar which used it to repay previous loan of Rs. 50 Crores taken from RFL on January 9, 2015. The extract of IR fails to notice that the very next day of Kalyan's borrowing i.e. on December 18, 2015, RFL disbursed loan of Rs. 50 Crores to Spinstar and thereafter Spinstar repaid the amounts borrowed from Kalyan on December 17, 2015. Thereafter, Kalyan used the said amount to repay the amount loaned by RFL to Kalyan on December 18, 2015. Thus, the funds transferred by RFL to Kalyan	(i) From the ledger of Kalyan it is noted that, as on December 17, 2015, Kalyan had taken a total loan of Rs. 191.5 Crores from RFL and had repaid total amount of Rs. 100 Crores to RFL. Therefore, as on December 17, 2015 Kalyan owed Rs. 91.5 Crores to RFL. On December 18, 2015, Spinstar transferred Rs. 50 Crores (loaned from RFL on same date) to Kalyan which used it to repay Rs. 50 Crores to RFL. In view of the same, as on December 18, 2015, Kalyan owed Rs. 41.5 Crores to RFL (part of loan taken on December 17, 2018) and Spinstar owed Rs. 50 Crores to

on December 17, 2015 was again received by RFL on December 18, 2015. Therefore, the transactions between RFL, Kalyan and Spinstar was in effect squared off.	RFL. Thus, the contention that the transactions between RFL, Kalyan and Spinstar was in effect squared off is misconstrued and misplaced.
In respect of loan given by RFL to Spinstar on January 9, 2015:	
(i) No banks statement nor excel sheet of A-1 Book Company and Best Healthcare (before March 30, 2016) were provided.	(i) The bank statements of A-1Book Company and Best Healthcre (before March 30, 2016) were again provided to the Noticee No. 49 vide e-mail dated February 24, 2022. Nonetheless, the bank statements of other counter parties with which A-1 Book Company (RHC Holding) and Best Healthcare (Artifice and Ranchem were counter parties) had transacted were already provided which clearly mentioned the relevant entries of transactions in which A-1 Book Company and Best Healthcare were involved. Further, in any case, Best Healthcare has itself accepted that Artifice had transferred Rs. 25.6 Crores to Best Healthcare and has also provided the bank statement regarding the same. Hence, the contention of the Noticee No. 49 has not merit.
(ii) In the extract of the Investigation Report, it is mentioned that on January 9, 2015 Artifice (after receiving the amount from Spinstar) had transferred Rs. 11.37 Crores to Fern. However, in the banks statement of Artifice no entry for an amount Rs. 11.37 Crores is mentioned.	(ii) From the bank statement of Artifice, is noted that on January 9, 2015 it received Rs. 42.8 Crores from Spinstar, Rs. 5.2 Crores from Best Health Management, Rs. 28.2 Crores from Rexcin and Rs. 10 Crores from two other entities totaling to Rs. 86.2 Crores. On January 9, 2015 Artifice had transferred the amount to only three entities i.e Best Healthcare (Rs. 25.6 Crores), Devera (Rs. 5.83 Crores) and to Fern (Rs. 26.6 Crores and Rs. 28.2 Crores). In view of the same, the amount of Rs. 11.37 Crores is part of the said amounts transferred by Artifice to Fern. This is clear from the fact that Artifice's bank balance on January 8, 2015 was Rs. 7.28 lacs and closing balance on January 9, 2022 was Rs. 4.78 lacs.
(iii) In the extract of the Investigation Report, it is mentioned that Fern transferred aforesaid Rs. 11.37 Crores to ANR Securities. However, Fern's Bank statement shows that it had transferred Rs. 88 Crores to ANR Securities.	(iii) I note the extract of IR does not record that Fern transferred Rs. 11.37 Crores to ANR Securities and simply mentions that the amount received by Best Healthcare, Dvera and Fern were transferred to RHC Holding (wholly owned and controlled by Singh brothers) through Saubhagya

	Buildcon, Ranchem and ANR Securities. From the bank statement of Fern, I note that it had transferred Rs. 88.28 Crores to ANR Securities and Rs. 11.7 Crores transferred by Fern to ANR Securities was part of the said amount.
(iv) The amount of Rs. 5.83 Crores transferred by Artifice to Devera does not have a corresponding entry in the excel sheet of bank statements of Devera.	(iv) Artifice's bank account statement was received by SEBI from the scheduled bank itself. Further, I note that there is a corresponding entry in the bank account statement of Devera (earlier known as Best Cure) held with Axis Bank on the same date. Therefore, the said contention has no merit.
In respect of loan given by RFL to Nihkil Holding on January 9, 2015:	
(i) The amount of Rs. 44 Crores transferred by Nikhil Holding to Best Healthcare was pursuant to Nikhil Holding' repayment obligation to Best Healthcare for a previous loan granted by Nikhil Holding to Best healthcare.	(i) Best Heatlhcare has also taken the said contention. However, I am not able to fathom as to what was the need of repaying a loan taken just two days before the loan was granted by Best Healthcre to Nikhil Holding. Further, the MoU provided by Best Healthcare in respect of the said loan shows a gap of 2.5 months between the stamp date and date of MoU. This clearly shows non-genuineness of the said transaction.
(ii) No banks statement nor excel sheet of Best Healthcare (before March 30, 2016) was provided.	(ii) The bank statements of A-1Book Company and Best Healthcre (before March 30, 2016) were again provided to the Noticee No. 49 vide e-mail dated February 24, 2022. Nonetheless, the bank statements of other counter parties with which Best Healthcare (Nihkil Holding and Saubhagya were counter parties) had transacted were already provided which mentioned the relevant entries of transactions in which Best Healthcare were involved. Further, in any case, Best Healthcare has itself accepted its transactions with Nikhil Holding and Saubhagya and has also provided bank statement regarding the same. Hence, the contention of the Noticee No. 49 has no merit.
(iii) In respect of further transfer of amounts by Fern to ANR Securities, it has been contended that the said entities had old commercial relationship and the funds given by Fern to ANR Securities were	(iii) This may be a mere possibility and no evidence has come on record from the Noticee No. 49 to prove the same. Even otherwise, round tripping of funds by the said entities to enable and suppress the diversion has been demonstrated as above.

towards repayment of the balance loan amount.	
(iv) In respect of further transfer of amounts by ANR Securities to RHC Holding it has been contended that the said entities had old commercial relationship and the funds given by ANR Securities to RHC Holding were towards repayment of the balance and outstanding debt to RHC Holding.	(iv) This may be a mere possibility and no evidence has come on record from the Noticee No. 49 to prove the same. Even otherwise, round tripping of funds by the said entities to enable and suppress the diversion has been demonstrated as above.

622. The Noticee No. 49 has contended that the banks statements of some of the counter parties were not provided. All the bank statements were provided to the noticees. Again at the request of the Noticee No. 49, the bank statements of Best Healthcare and A-1 Book Company as sought by the Noticee No. 49 were also provided. Further, the bank statements were directly obtained from the scheduled commercial banks in which the entities were maintaining their accounts which were being used for diversion of funds of RFL. Therefore, the contention of the Noticee No. 49 casting doubts on the authenticity and credibility of such banks statements that to without any documentary evidence is misplaced and cannot be accepted.

623. Even though I have dealt with the aforesaid contentions of the Noticee No. 49, in any case, the said contentions cannot save the Noticee No. 49 from the violations levelled against him in the SCN by virtue of his role in approval of loans to entities without proper due diligence which ultimately led to diversion of funds of REL through RFL and by virtue of him holding a KMP position i.e. CFO.

624. The Noticee No. 49 has contended that the entities, to which loans were approved by him, had old relationship with RFL and had consistent track record of repaying borrowings in a timely manner. Further, the Noticee No. 49 has contended that the loans were approved as per CLB policy. However, it is observed that the loans which were approved by the Noticee No. 49 were approved to such entities which had negative networth or negligible networth in comparison to the amount of loan granted to such entities. The fact remains that these loans were meant for diversion and that the loans were approved merely on the basis of the fact that the entities had old relationship with RFL itself shows that proper due diligence was not done while approving the loans to such entities.

625. The Noticee No. 49 has also contended that the transactions, which allegedly led to diversion, could be on account of repayment obligation of one entity for a loan taken by it from other entity.

This contention has already been dealt in the aforesaid table. The said contention is not backed by a concrete proof and is a mere afterthought to cover up the non-genuineness of the transactions. This is also strengthened by the fact that when a loan was granted to borrowers by RFL, on very same day the said amount from RFL reached RHC Holding (wholly owned and controlled by Singh brothers).

626. It is also contended by the Noticee No. 49 that the diversion, if any, took place at 3rd or 4th layer and he was not privy to the same. He has also contended that he had no access to the banks statements of the borrowers. In this regard, even if it is assumed that the Noticee No. 49 was not privy to the diversions of funds, I am not able to fathom as to why he approved loans to such entities which did not have sound financial position. The reasoning that the entities to whom loans were approved had old commercial relationship with RFL is not sufficient for approving the loans. Even a layman would question the granting of loans to such entities having no sound financial position.

627. The Noticee No. 49 was CFO of RFL i.e. a Key Managerial Personnel from June 17, 2013 to May 15, 2017. Further, the investigation observes that RBI has been raising adverse concerns in respect of CLB of RFL and being CFO of RFL it cannot be disputed that the Noticee No. 49 was not aware of the said concerns. The majority of loans which were partly or fully utilized by erstwhile promoter group entities of RFL/REL and loans which were utilized by other entities to repay principal/interest of earlier loans which were ultimately utilized by erstwhile promoter entities of RFL/REL were disbursed during his tenure. Being CFO of RFL and being part of KMP the Noticee No. 49 was at helm of affairs of the RFL. Therefore, by virtue of being a CFO, the involvement of the Noticee No. 49 in the whole scheme of fraudulent diversion/mis-utilization of fund of REL through RFL is established.

628. In view of the aforesaid, I am of the view that Noticee no. 49 did not exercise independent judgment and proper due diligence while approving the aforesaid loans and as a CFO of RFL, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers).

MR. NALIN NAYYAR (NOTICEE NO. 50)

A. *Sum and Substance of the Allegation*

629. In the SCN qua Mr. Nalin Nayyar (Noticee No. 50), it is alleged that he had played a role in granting approval of loans by RFL to various borrower companies and/or as a director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

630. The SCN dated February 15, 2021 was sent to the Noticee No. 50 at his last known available address with SEBI through speed post and the same was returned undelivered. Thereafter, in May 2021 the said SCN was published through newspaper publication. Pursuant to the newspaper publication, Noticee No. 50 vide email dated May 23, 2021 contacted SEBI and provided his email id. Hence, SEBI vide email dated May 25, 2021 sent the scan copy of SCN dated February 21, 2021 to Noticee No. 50. Further, as per request of the authorised representative of the Noticee No. 50 vide email dated October 20, 2021 the opportunity for inspection of documents was provided on October 27, 2021 which was availed by the authorised representative of the Noticee No. 50. In the interest of natural justice, vide letter dated October 27, 2021 an opportunity of hearing was provided to the Noticee No. 50 on November 18, 2021. Pursuant to the same, the Noticee No. 50 filed reply dated November 15, 2021. On the said date of hearing, the Noticee No. 50 was duly represented by his authorised representative. In the reply and in the hearing, the authorised representative of the Noticee No. 50 made submissions *inter alia* as under:

(i) SCN dated February 15, 2021 is vague and allegation and charges are not precisely specified in the SCN against Noticee No. 50. In this regard, reliance has been placed on decision of the Hon'ble Supreme Court Gorkha Security Services v. Govt., (NCT of Delhi) & Ors., (2014) 9 SCC 105, para 21 and 22, wherein, it is held that SCN should not be vague and SCN should tell the precise allegation & charges.

(ii) The Noticee No. 50 was only part of RMC and approved the resolution and had attended three meetings of RMC. Further, resolution on the face of it is not fraudulent and said resolution is not the starting point of fradulent transaction. In this regard, reliance was on Hon'ble SAT decision in the matter of Adi Cooper & Ors. v. SEBI, 2019 SCC OnLine SAT 340, para 7 to 10.

(iii) The Noticee No. 50 was a non-executive director of RFL for only about 7 months i.e. from October 26, 2016 to March 01, 2017. The alleged illicit transactions that took place during October 26, 2016 to March 01, 2017 could at all be relevant. During his tenure as a non-

executive director of RFL there would have been at best 2 meetings of the Board of Directors of RFL. Nalin has had no connection with the RFL after March 2017.

(iv) It is incumbent on SEBI to identify specific transactions by which funds were allegedly diverted, provide copies of agenda papers, including notices, Board notes, and Minutes of meetings of the Board of RFL where the alleged transactions were approved by the Board; and any documents showing the alleged involvement of our client in the alleged wrongdoing and diversion of funds, which SEBI had failed to do so.

(v) The RMC, could only consider those CLB transactions as were vetted and approved by RPT-SC in compliance with the requirements of the IFC. During his tenure neither the RMC nor the Board had occasion to discuss or to believe that there was anything wrong with CLB or the RPT Sub-Committee.

(vi) Deployment of funds and monitoring utilization of loans advanced by RFL were functions performed by the RFL treasury department which functioned independently of the RMC. The Noticee No. 50 was not part of the RFL / REL Erstwhile promoters / Erstwhile promoter Group and also had not derived any benefit whatsoever from the alleged diversion of funds.

(vii) The only transaction with which the Noticee No. 50 has even a remote connection is the loan to Oscar. The proposal in respect of the loan to Oscar was vetted and approved by RPT SC meeting dated December 27, 2016 and was tabled before the RMC at the meeting held on December 27, 2016 accompanied by the due diligence report. On this basis the RMC approved the proposed loan to Oscar and the Noticee No. 50 had no reason to believe that he did anything untoward.

(viii) Merely because was non-executive director and was party to a resolution of the RMC, he cannot be held liable and allegations that he fraudulent aided in diversion of loan ought not to survive absent cogent facts which are conspicuous by their absence.

(ix) The terms 'device' or 'contrivance' used in Section 12A of the SEBI Act, have implicit in them elements of fraud and mens rea. The SCN rightly makes no allegation of mens rea or bad faith or fraud against Nalin.

(x) It is submitted that under Section 15J of the SEBI Act the Adjudicating must act judiciously after having due regard to all relevant facts.

C. Consideration of Allegations, Replies and Submissions

631. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 50 and his replies/written submissions.

632. The Noticee No. 50 has contended that the SCN is vague and charges and allegation are not precisely mentioned in the SCN . This, contention is dealt in detail in part III of this order which deals with common contention of the noticees.

633. I note that the Noticee No. 50 was non-executive director of RFL from October 26, 2016 to March 22, 2017 and as a member of RMC, the Noticee No. 50 had approved following loans:

Entity	Loan amount (INR) (in Crores)	Security	Date of Approval	Diverted/Mis-utilised Amount (INR) (in Crores)
Oscar Investments Limited	150 Crores	Unsecured	November 03, 2016	no diversion observed in the Investigation
Oscar Investments Limited	200 Crores	Unsecured	December 27, 2016	125
Total				**125**

634. The Noticee No. 50 has not disputed that he had attended the meeting of RMC wherein the aforesaid loans were approved. Pursuant to the approval of the aforesaid the loan to Oscar on December 27, 2016, RFL had granted loans of Rs. 100 Crores and Rs. 25 Crores on December 27, 2016 and January 9, 2017 respectively to Oscar Investment and the said loan amounts were ultimately utilized by RHC Holding (owned and controlled by Singh brothers).

635. I note that the Noticee No. 50 had approved the unsecured loan of upto Rs. 150 Crore to Oscar by RFL on November 3, 2016. Subsequently, Noticee No. 50, being member of RMC meeting dated December 27, 2016 had once again approved the unsecured loan of upto Rs. 200 crore to Oscar by RFL. Hence, while approving the loan second time on December 27, 2016 to same entity, the Noticee No. 50 should have raised queries related to whereabouts of approval of earlier loan i.e. whether the loan is disbursed or not, if not, then when there is already an approved earlier loan, why there is a need of approval of second loan etc. Further, Oscar Investment had negative profits and negative networth in the previous financial years. The Noticee No. 50 while approving an unsecured loan to such an entity, which was known to the promoter group, should have raised red flags. Therefore, the contention of the Noticee No. 50 that there was nothing wrong CLB cannot be accepted.

636. The Noticee No. 50 has contended that RMC of RFL would approve the loans only after the same is approved by RPT-SC of REL. On the other hand, the members of RPT-SC of REL who are also noticees herein contends that the loan proposals were scrutinized by various KMPs of RFL including its directors, before the same is placed before RPT-SC of REL. In this regard, I note that

the obligation of placing the loans sponsored by the promoters before RPT-SC of REL was made mandatory with effect of February 22, 2016 pursuant to e-mail from IFC. However, in the minutes of RMC or circulation of agenda or in the said e-mail of IFC, it was never mentioned that the loans are first required to be approved by RPT-SC of REL before the same is placed before RMC of RFL or vice versa. The requirement of placing the loan proposals before RPT-SC of REL was an additional requirement for approving the loan proposal. The approvals of loans by RMC of RFL and RPT-SC of REL were separate and approval by RMC of RFL was not influenced by the approval of RPT-SC of REL or vice versa. Further, in some instances the loan proposal was first approved by RMC of RFL and then RPT-SC of REL and in some instances the loan proposal was first approved by RPT-SC of REL and then by RMC of RFL. For example, the loan proposal dated December 27, 2016 was first approved by RPT-SC of REL and thereafter, was approved by RMC of RFL and in loans disbursed on May 24, 2017 RMC of RFL first approved the loan proposal on May 23, 2017 and RPT-SC gave post-facto ratification on August 10, 2017 to the said disbursed loans. Thus, the contention that first the loan proposal was approved by RPT-SC and then the same was placed before RMC of RFL, merit no consideration.

637. Additionally, I also note that, the Norticee No. 50 was interim CEO of REL from October 26, 2016 to March 22, 2017 during which various loans were approved which were either diverted to RHC Holding (owned and controlled by Singh brothers) or where misutilised by other noticees for repayment of earlier loans taken from RFL. Being in such a position, his involvement in the scheme of diversion/mis-utilisation of funds of RFL for that period of time cannot be ruled out.

638. In view of the aforesaid, I am of the view that Noticee no. 50 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers).

MR. SHACHINDRA NATH (NOTICEE NO. 51)

A. Sum and Substance of the Allegations

639. In the SCN qua Mr. Shachindra Nath (**Noticee No. 51)**, it is alleged that:

(i) He had played a role in granting approval of loans by RFL to various borrower companies and/or as a director of RFL, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d), 4(1), 4(2)(f) and (r) of the PFUTP Regulations, 2003.

(ii) Further, the Noticee No. 51 certified financials of REL for FY 2014-15 alongwith other directors of REL as well as issued CEO certification for the said financials which were misrepresenting in respect of the routing of funds through various borrower entities for the benefit of promoters and the financials of REL did not present true and fair view and contained misleading statements. Therefore, it is alleged that the Noticee No. 51 has violated Clauses 32 and 36 of the Listing Agreement, 49(I)(C)(1)(a) & (d), 49(VIII)(A)(1), 49(V), 49(IX) of the Listing agreement (post circular dated April 17, 2014) read with Regulation 103 of LODR Regulations, 2015 and Section 21 of SCRA and Regulations 4(1)(a), (b), (c), (d), (g), (h), (i), (j), 17, 30(1), 33, 48, 51(1) and 53(f) of LODR Regulations, 2015.

B. *Service of SCN and subsequent replies*

640. The SCN was delivered by SPAD on February 22,2021 and the Noticee No. 51 filed his reply dated March 24, 2021 in response to the said SCN. In the interest of Justice, hearing opportunity was provided on September 13, 2021 vide notice of Hearing dated August 12,2021 which was delivered to Noticee No. 51 on August 18,2021. The Noticee No. 51 was duly represented by his authorized representative on the said date of hearing, however he sought one more hearing and requested to file additional submission which was acceded to. As per his request, the Noticee No. 51 was given another hearing opportunity on September 20, 2021 wherein he was duly represented. Further, additional submissions were filed vide letter dated September 29, 2021. The Noticee No. 51 vide the said letters/replies and in hearing made submissions *inter alia* as under:

(i) The Noticee was CEO of REL from April 06, 2010 to March 03, 2016 and Non-Executive Director of RFL from November 14, 2011 to March 08, 2016.

(ii) The Noticee has stated that section 12A becomes applicable only when a person deals in securities either directly or indirectly and indulges in manipulative and deceptive devices, etc. In this regard, the noticee has referred to the order of Hon'ble Securities Appellate Tribunal in Price Waterhouse and Co. Bangalore LLP and Others Vs. SEBI 2019 SCC OnLine SAT

165 and Order No. Order/GR/KG/2021-22/13092 dated August 26, 2021 passed by the Adjudicating Officer, SEBI in the matter of Fortis Healthcare Ltd. wherein the Ld. AO *rejected the allegations that the said Auditor indirectly aided in misrepresentation and non-disclosure of material information in consolidated financials of Fortis Healthcare Ltd.*

(iii) The Noticee has pointed out various instances in respect of his role as whistleblower in respect of CLB loans and had also taken efforts for recognizing the loans as related party transactions such writing mail to Mr Maninder Singh, Mr. Kavi Arora, informing IFC and also circulating RBI Inspection Report of 2013 to external member for examination.

(iv) The Noticee was not part of RPT-SC of REL and had no role in the approval of the disbursement of Rs.600 crores approved on February 25, 2016 rather Noticee No. 51 was shocked that despite of all his efforts, Erstwhile promoters and Mr. Godhwani could influence the Independent Director and IFC Nominee with their assurances.

(v) When it became evident that Noticee No. 51 has found a way to recognize said loans as RPT which will create hurdle in further disbursement of ICD/ CLB to erstwhile promoter known companies, the Noticee was asked to submit his resignation on March 03, 2016 by Mr. Godhwani and resign from the Boards of all REL Group entities immediately. Thereafter, the Noticee was relieved from all responsibilities with immediate effect and was asked to only look after the ongoing sale transactions of two offshore businesses of Religare Global Asset Management.

(vi) The Noticee No. 51 wrote an email to Mr. Kavi Arora and cc to Mr. Anil Saxena and Mr. Sunil Kumar Garg stating that CLB ecposure should not be increased at any cost and the Noticee No. 51 is ready to say no to promoters if anyone else is unable to speak against them. Further, the Noticee No. 51 also pointed out that he and his team for the last three years have been trying to counsel Promoters against ICD/CLB but they are not agreeing, this will hamper the business.

(vii) The Noticee was not the person responsible for day-to-day functioning of RFL and therefore, cannot be held vicariously liable for actions taken by RFL. In this regard, the Noticee has referred to to the judgment passed by Hon'ble Apex Court in Chintalapati Srinivasa Raju v. SEBI, (2018) 7 SCO 443 wherein while allowing the appeal filed against the Order passed by SAT, it has been upheld that non-executive directors are, persons who are not involved in the day-to-day affairs of the running of the company and are not in charge of and not responsible for the conduct of the business of the company.

(viii) Diversion of fund on account in respect of FD with LVB, NCDs of BRNL and OSPL and loan to REL related entities relates to period after resignation of the Noticee.

(ix) The Noticee merely affirmed the Financial Statement for FY 2014-2015 (not for the FY 2016-2018 as stated in the Investigation Report) REL, that too on the basis of the audited accounts and financial statements certified by the relevant CEOs/ Managing Directors/ CFOs of the relevant subsidiary company(s) and hence, not liable for the wrongdoings in the affairs of RFL. Pertinently, financial statements of RFL for the investigation period were never approved/ signed by the Noticee.

(x) Further, in respect of functions of Directors, the Noticee has also referred to section 149 of the Companies Act, 2013 and various case laws on role of directors for supporting his argument. In this regard, he has referred to various case laws.

(xi) The Noticee was not part of Treasury, and had limited role in sanctioning the loans. In this regard, the Noticee has stated that, on January 17, 2012, Mr. Punit Arora, CS of RFL circulated a chart to allocate responsibility in to respond to various observations made by RBI which inter-alia, includes the observation in relation to ICD. Members of treasury operations comprising of Mr. Sunil Garg and Mr Anil Saxena reporting directly to Mr. Sunil Godhwani were asked to respond to observations in relation to ICD/CLB. From the same, it is clear that internally within RFL and REL, anything in relation to ICD was handled by Treasury department

(xii) The Noticee No. 51 has also contended that Economic Offence Wing has recognised his role as whistle blower and made him witness in proceedings.

(xiii) Thereafter, as explained above the Noticee persistently resisted against disbursement of CLB in February 2016 which ultimately resulted in his unceremonious exit on March 03, 2016 when he was forced to resign. In view of the above stated facts and circumstances, the Noticee submits that he has not violated any provisions of the SEBI Act and regulations framed thereunder as alleged in the SCN, hence, no coercive action should be taken against him.

C. Consideration of Allegations, Replies and Submissions

641. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 51 and his replies/written submissions.

642. The Noticee No. 51 has contended that his tenure as Group CEO in REL and non-executive director in RFL ended w.e.f March 03, 2016 and March 08, 2016 respectively. From the Annual Report of REL for FY 2015-2016 it is observed that the Noticee No. 51 has not certified the Annual

Report. It is therefore noted that the Noticee No. 51 has ceased to associate with RFL/REL before completion of FY-2015-16.

643. I note that the Noticee No. 51 had approved the following loans in the capacity as a member of committees of RFL which approved loans, before his resignation:

Entity	Loan amount (INR) (in Crores)	Security	Date of Approval	Diverted/Mis-utilised Amount (INR) (in Crores)
Nishu Finlease Pvt. ltd.	95	Unsecured	May 27, 2014	88
Grudev Financials	15	Unsecured	May 27, 2014	15
Annies Apparel Pvt Ltd.	50	Unsecured	March 17, 2015	3
Nikhil Holding	Up to 100	Unsecured	December 17, 2015	45
Total				**151**

644. It is admitted fact that the aforesaid loans were sanctioned by the Noticee No.51 as a member of committee of RFL and not in the capacity as CEO. Further, during the aforesaid period, the Noticee No. 51 was not part of RMC of RFL or RPT-SC of REL. Out of the aforesaid loans, majority of loans were partly or fully utilized by erstwhile promoter group entities of RFL/REL or were utilized by other entities to repay principal/interest of earlier loans which were ultimately utilized by erstwhile promoter entities of RFL/RE Holding (wholly owned and controlled by Singh brothers). The details of the said transactions have already been discussed above at the parts relating to the role of the borrowers/conduit entities. I note that the aforesaid funds were ultimately transferred through various layered entites to RHC Holding (wholly owned and controlled by Singh brothers). The Noticee No. 51 had approved the aforesaid loans without giving due regard to the fact that the aforesaid entities were not having sound financial positon or having negative networth and operational losses. While approving the loans the Noticee No. 51 as a member of committee of RFL should have been careful and cautious while approving the aforesaid loans, particularly when the RBI has raised concerns on the exposure to the promoter connected entities.

645. As regards the allegation in the SCN that the Noticee No. 51 had certified the financial results of REL for FY 2014-15 and had also given CEO certification for the financial results of REL for FY 2014-15 which did not show true picture and misrepresentation of financial results to the shareholders. Thereby the Noticee was alleged to have been violated the provisions of Listing Agreement and LODR Regulations, 2015. I note that the financial statements of RFL gave a picture that RFL is conducting its business in the normal course and the loans are also being repaid, which was not correct as loans were being given by RFL which were either diverted to erstwhile promoter group entities or were used for repayment of earlier loans which were being diverted to erstwhile promoter group entities as discussed in detail else where in this order. This essentially led to misrepresentation in the financials of RFL. Consequently, the financial statement of REL also did not disclose the true picture.

646. The Noticee No. 51 has contended that Economic Offence Wing has recognised him as whistle blower and made him a witness in the proceedings. The said aspect may not be of much relevance to the present proceedings. The Noticee No. 51 has relied on various case laws. I note that the orders passed by the Hon'ble SAT in the matter of Sayanti Sen and Dr. Uppal Devinder Kumar (Supra), can be differentiated from the case of the Noticee No. 51, as Sayanti Sen was an employee and Dr. Uppal Devinder Kumar was director only for 50 days and SEBI's appeal in the Dr. Uppal Devinder Kumar matter is pending before the Hon'ble Supreme Court. Similarly the decisions of the Hon'ble Supreme Court in the Chintalapati Srinivasa Raju (pertain to director liability) and the decision of Price Waterhouse (pertain to statutory auditor liability) are not applicable to the case of Noticee no. 51.

647. The Noticee No. 51 in his reply filed volumouns documents of more than 800 pages to contend that he is innocent and not committed any fraudulent activity in the company. The Noticee has also contended that the PFUTP regulations and LODR regulations in the facts and circumstance of the case cannot be made applicable on him and also cited decisions of SAT and Suprme Court to substantiate his arguments. The common contentions raised by the Noticee No.51 and some other notices are separately are separately dealt under Part III under the head Common contentions of the noticees in this order.

648. On perusal of various emails, documents, etc. furnished by the Noticee No. 51 along with his reply, I note the following steps taken by the Noticee No.51:

a. Immediately after the RBI inspection report came into the light in the year 2012, the Noticee No. 51 had immedietaly to the notice of external member of the risk committee of RFL.

b. sent e-mail dated October 17, 2013 to Mr. Sunil Godhwani, Mr. Anil Saxena and Mr. Sunil Kumar Garg stating that focus should be kept with respect to the reduction of ratings by the rating agencies and that the rating agencies continue to review the same on ongoing basis and all the steps should be taken only by March of that financial report. In the said e-mail, the Noticee No. 51 also pointed out that there was no visibility of reduction of exposure to some of the group entities and need to take appropriate steps.

c. took steps in 2014 to bring strategic investors, to prevent promoters influencing the loan sanction under CLB.

d. sent an e-mail dated October 09, 2015, to the management of RFL and the Credit Committee stating that every approval notes, the details of interconnectedness among the borrower entities needs to be clearly mentioned. The Noticee No.51 in the said email also advised that if the proposal is being presented on basis of the recommendation of the Chairman of REL and Erstwhile promoters and to provide the shareholding of each company who holds shares in these companies and the details of bank account and their signatories.

e. The Noticee No. 51 also contended that he was a whistle blower who took bold steps to inform IFC (one of the complainants in the instant matter against RFL&REL), to take steps against illegal CLB exposure as promoters were not heeding to his advice. Accordingly, IFC also took stringent steps to prevent the misuse of CLB exposure. The same was also informed by the Noticee No.51 to the promoters of REL/RFL vide e-mails dated December 18, 2015 and January 11, 2016.

f. sent an e-mail dated January 27, 2016 raising concerns with Mr. Kavi Arora (MD & CEO of RFL) insisting that CLB exposure should not be increased at any cost. In the said email, the Noticee No. 51 inter alia stated that if no one is able to speak against the promoters, he was ready to say no by becoming bad boy and taking onto himself as he and his team for the then last three years had been trying to counsel the Promoters against ICD/CLB but they were not listening.

g. The Noticee No. 51 vide e-mail dated February 20, 2016 sent the shareholder agreement and flagged the issues of related party transactions to IFC for its further intervention. I note that even though the Noticee No. 51 was Group CEO of REL/RFL, he took bold steps to approach the external investors namely IFC to prevent further misuse of CLB by the promoters. Thereafter, the requirement of placing loans to related parties before RPT-SC of REL was made mandatory.

h. Despite these efforts still the exposure under CLB was going beyond control, thus the Noticee No. 51 had also vide e-mail dated. March 2, 2016 insisted for immediate legal opinion seeking clarification of loan book and its treatment etc.

i. The Noticee No. 51 even though not member of RPT-SC of REL, he raised red flags in respect of loans approved by RPT-SC on February 26, 2016 to the six of the promoter connected entities.

j. At para 13 on page 78 of the extract of the Investigation Report, it is observed that the Noticee No. 51 had raised concerns regarding the CLB in light of regulatory concerns.

k. It is noted at para 17(e) on page 85 of the extract of the Investigation Report that, Mr. Arun Ramanathan who was independent director and member of Audit Committee of REL, has stated that the Group CEO was (Notice no. 51) was uncomfortable with such loans and tried to red flag the issue to RFL and CMD of REL.

649. I note that the aforesaid actions of the Notice No.51 demonstrate that he had been raising red flags, advising his colleagues in the other departments of REL & RFL, top management and promoters of REL & RFL, etc and also took various steps for bringing down CLB of RFL. However, at the same time while certifying and giving CEO certification to financial results of REL for FY 2014-15, the Noticee No. 51 ought to have been cautious particularly when he had raised concerns in respect of CLB of RFL and he should have resisted himself from giving unqualified CEO certification.

650. Keeping the above proactive actions/steps taken by the Noticee No. 51 as mitigating factors, I am inclined to give a benefit of doubt from charging the Noticee No. 51 in respect of violations of the provisions of the PFUTP Regulations, consequently, no penalty is warranted on the Noticee No. 51 for violation under the PFUTP Regulations. However, the fact remains that despite raising various concerns the Notice No.51 has provided unqualified CEO certificate thereby violated provisions of Clause 49(V)/(IX) of the Listing Agreement.

MR. HARPAL SINGH (NOTICEE NO. 52)

A. Sum and Substance of Allegations:

651. In the SCN qua Mr. Harpal Singh (Noticee No. 52), it is alleged that:

(i) He had played a role in granting approval of loans by RFL to various borrower companies, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby indirectly aided in misuse and diversion of funds of REL through RFL. Thus, he is

alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

(ii) As a director of REL, he is also alleged to have failed to discharge his duty in an effective manner and to abide by principles governing disclosures and obligations, which was required in the best interests of the listed company and its shareholders. Thus, he is alleged to have violated relevant clauses of listing agreements read with Section 21 of the SCRA, 1956 and section 103 of LODR Regulations, 2015 and other relevant provisions of LODR Regulations, 2015.

B. *Service of SCN and subsequent replies*

652. The SCN was delivered by SPAD on February 20,2021 and reply to the same was filed by Noticee vide letter dated March 24, 2021. In the interest of Justice, hearing opportunity was provided on September 13, 2021 vide notice of Hearing dated August 12,2021 which was delivered to Noticee on August 16,2021. The Noticee was duly represented by his authorized representative on the said date of hearing through webex and requested to file additional submission which was acceded to. The Noticee filed his additional submission vide e-mail dated September 20, 2021. The Noticee vide the said letters made submissions *inter alia* as under:

(i) *Mr. Harpal Singh was a non – executive director in REL from April 09, 2007 till January 24, 2018. Most of the time, he was not a member of any of its committees and never on the Board of directors of its subsidiary, i.e., RFL.*

(ii) *FDs were done entirely by RFL without any reference to REL Board. As regards loan to OSPL and BRNL, REL Board was not aware of the same. The REL Board only came to know about the same through a letter expressing concern addressed by IFC to REL Board in January, 2018.*

(iii) *Mr. Harpal Singh in bonafide belief and good faith relied on the recommendations made by REL Audit Committee to the Board on the financials of the Company as presented for different years for the years 2014-2017;*

(iv) *In the show cause notice, there is a mention of 18 entities where loan was disbursed. RFL management has in its written submissions mentioned that, 9 out of 18 cases were never put up to REL RPT committee for approval. Out of the balance 9 cases, 6 cases were put to REL RPT committee, when Mr. Harpal Singh was not a member of the said Committee. Only in 3 cases, Mr. Harpal Singh was a member of the committee when approval was given by REL*

RPT Committee. In two cases, RFL had already disbursed the loan before sending the information to the REL Board. In these two cases, REL gave post facto approval. In the third case (Loan to A&A Capital), the approval was sought by circulation and no comments were given by the management stating of there being any conflict of interest.

(v) *It is also important to explain the role of the audit committee in a listed company. As per Section 177 of the Companies Act, 2013, the audit committee of any listed company is mandated to carry our scrutiny of the inter-corporate loans and investments as well to oversee financial reporting process and disclosures.*

(vi) *Hence, once any transaction is approved by the audit committee and the Board of RFL and is referred to REL Board/committee, it is assumed that it must have followed good governance practice and the transactions were taken in normal course of business and on arm's length basis as has been confirmed by the respective managements. In all cases, the CFO has made a categorical statement and given assurances in form of undertakings in the Board meetings that the transactions were taken in normal course of business and on arm's length basis.*

(vii) *In V Selaraj V. RBI [(2020) 157 CLA 30], the court noted that since no materials have been brought on record to show that the petitioner actively participated in the day-to-day affairs of the Company or in the Board Meeting and the commissions and omissions alleged against the Company had taken place without the knowledge, consent or connivance of the petitioner, therefore, it does not satisfy the ingredients of section 149(12) of the Companies Act, 2013.*

(viii) *In the SCN, there is no allegation against the Noticee that he had knowledge and any act has been done through his consent and connivance. Therefore, the Noticee No. 52 admittedly being a 'Non–Executive Director' is not liable for any proceedings contemplated under the Show Cause Notice.*

C. <u>Consideration of Allegations, Replies and Submissions</u>

653. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 52 and his replies/written submissions.

654. The Noticee No. 52 was a non-executive director of REL from April 9, 2007 to January 2, 2018. As a member of RPT SC he had approved certain loan as mentioned below:

Entity	Loan amount (INR) (in Crores)	Security	Date of Approval	Diverted/Mis-utilised Amount (INR) (in Crores)
Oscar Investments limited	150	Unsecured	November 03,2016	no diversion observed in the Investigation
Oscar Investments	200	Unsecured	December 27,2016	125
A & A Capital Services Pvt Ltd.	Up to 100	Unsecured	January 31,2017	90
Annies Apparel Pvt Ltd.	Up to 100			75
Sridham (Abhiruchi) Distributers pvt Ltd.	Up to 100			92.4
Gurudev Financial	100	Unsecured	August 10, 2017	97.5
Tara Alloys Ltd.	85		(post facto approval of loan already disbursed on May 24, 2017))	84
Total				**563.9**

655. As noted in the earlier portion of this order, out of the loans given to the aforesaid entities after the aforesaid approvals, either the complete amounts were diverted to the erstwhile promoter group entities or some portion was diverted to erstwhile promoter group entities directly or indirectly. This diversion of fund has not been denied by the Noticee No. 52.

656. The Noticee No. 52 has contended that out of the loans to the aforesaid four entities, loans to three entities were disbursed before the proposal for granting loan came to RPT SC for approval and in respect of A&A Capital there was no conflict of interest. This contention of the Noticee No. 52 cannot be accepted, as he could have raised red flags even after disbursements of loan when the proposal for granting loans were placed before him for approval and he supposed to look into

the financial credibility of A&A Capital. Further, the Noticee No. 52 also granted post facto approval on August 10, 2017 to loans disbused to Gurudev and Tara without any due diligence regarding the financial position and repayment capacity of the said entities. The said loan amounts were also either diverted to erstwhile promoter group entities or were mis-utilised for repayment of earlier loans taken from RFL itsel. It appears that on August 10, 2017, the Noticee No. 52 approved the loans without any independent judgment and by merely relying on the approval of RMC. As an independent director and as a member of RPT-SC, the Noticee No. 52 was supposed to exercise independent due diligence and judgment without being influenced by the decision of RMC of RFL.

657. Further, the Noticee No. 52 has contended that he was not involved in day to day affairs of the company and in this regard has cited V Selaraj V. RBI [(2020) 157 CLA 30] and has also referred to section 149(12). In this regard as noted above, the Noticee No. 52 was part of RPT-SC which approved the aforesaid loans which were ultimately diverted. While approving such loans, Mr Harpal Singh was obliged to perform proper due diligence before approving the loan. However, it appears that no such due diligence was done as the aforesaid entities had negative/negligible networth in comparison to the amount of loan given to such entities and considering the said fact the Noticee No. 52 should have raised red flags regarding granting of loans to such entities.

658. The Noticee No. 52 was non-executive director of REL for eleven years which implies that all the transactions which led to scheme of fraudulent scheme of diversion of funds of REL took place during his directorship in REL.

659. Therefore, the contention of the Noticee No. 52 that he was not involved day to day affairs of the company cannot be accepted. Further, since the Noticee No. 52 was part of the committee which approved the diverted loans, section 149(12) of the Companies Act, 2013 cannot come to his rescue. In the matter, the involvement of the Noticee No. 52 has already been explained in the above paragraphs.

660. Further, the Noticee No. 52 is father in law of Mr. Malvinder Singh one of the erstwhile promoters of REL/RFL who alongwith Mr. Shivinder Singh owns RHC Holding the ultimate beneficiary of the diverted loans. This factor also accentuates role of the Noticee No. 53 as a member of RPT-SC of REL in approval of ingenuine loan proposals and contribution of the Noticee No. 53 in the diversion of funds.

661. In view of the aforesaid, I conclude that Noticee no. 52 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers).

662. It is also alleged in the SCN that the Noticee No. 52 failed to abide by the principles governing disclosures and obligations as prescribed under relevant clauses of listing agreement and relevant provisions of LDOR Regulations. The Noticee No. 52 has submitted that he relied on the audit committee and top management of RFL and assurances given by CFO. However, by virtue of being a member of RPT-SC, he was supposed to independently analyse the requirement of giving such huge loans to entities with poor financial position without being influenced by CFO and top management of RFL, particularly when RFL is a material subsidiary of REL.

663. Accordingly, for the reasons quoted above, the Noticee No. 52 has failed to fulfill the responsibilities bestowed upon the board of director of REL particularly when he was part of loan approval matrix which was starting point of diversion of funds.

MR. RASHI DHIR (NOTICEE NO. 53)

A. Sum and substance of the allegations

664. In the SCN qua Mr. Rashi Dhir (**Noticee No. 53)**, it is alleged that:

(a) He had played a role in granting approval of loans by RFL to various borrower companies, wherein he failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. In view of the same, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

(b) As an independent director of REL he failed to discharge his duty in an effective manner and to abide by principles governing, disclosures and obligations, which was required in the best interests of the listed company and its shareholders. Thus, he is alleged to have violated relevant clauses of listing agreements read with Section 21 of the SCRA, 1956 and section 103 of LODR Regulations, 2015 and other relevant provisions of LODR Regulations, 2015.

(c) He failed discharge his duties as a member of the Audit Committee of REL and thereby is alleged to have violated relevant clauses of listing agreements read with Section 21 of the SCRA, 1956 and section 103 of LODR Regulations, 2015 and other relevant provisions of LODR Regulations, 2015.

B. *Service of SCN and subsequent replies*

665. The SCN was delivered by SPAD to the Noticee No. 53 and pursuant the same the Noticee No. 53 sought inspection of documents in the matter. The inspection of documents was duly provided to the Noticee No. 53 on October 28, 2021. In the interest of Justice, vide notice of Hearing dated November 11, 2021, a hearing opportunity was provided on December 1, 2021 which was adjourned to December 6, 2021. The Noticee No. 53 was duly represented by his authorized representative on the said date of hearing. The Noticee No. 53 filed further submissions on March 20, 2022 and sought another hearing opportunity which was provided on April 05, 2022 wherein the Noticee No. 53 was duly represented by his authorized representative. The Noticee No. 53 also filed additional reply dated April 19, 2022. Vide e-mail dated September 15, 2022, the Noticee No. 53 again sought another opportunity of hearing by giving at least 10 days' advance notice. While the said e-mail was under consideration, the Noticee No. 53 filed writ petition before the Hon'ble Delhi High Court, seeking one more hearing in the captioned matter and the same was heard by the Hon'ble Court on September 19 and 20, 2022. The Hon'ble Delhi High Court disposed the said writ petition as withdrawn and recorded the statement of SEBI's Counsel that SEBI will treat the writ petition as a representation and consider the request. Accordingly, vide e-mail dated September 20, 2022 the hearing was fixed on September 29, 2022 which on request of the counsel of the Noticee No. 53 was adjourned to October 6, 2022 and then to October 17, 2022. Tha authorized representative of the Noticee No. 53 appeared on October 17, 2022 and also filed synopsis of written submissions on the said date. The Noticee No. 53 vide the written submissions/replies and in the said hearings made submissions *inter alia* as under:

(a) The request for inspection of complete investigation report was rejected by stating that only the extracts can be provided. In this regard, the Noticee has referred to V.K Sasikala Vs. State (2012) 9 SCC 771 and SEBI Vs. Price Waterhouse & Co. (Civil Appeal No. 6003-6004 of 2012 decided on January 10, 2017).

(b) The noticee was not involved in the day to day operations of REL and his test of due diligence is based on the information provided to him in the board meeting. In this regard, the noticee has referred to section 149(12) of the Companies Act, 2013.

(c) The noticee was not a director of RFL and was an independent director of REL and member of RPT-SC of REL. The Noticee No. 53 has been painted with same brush as the directors of RFL.

(d) He had no role in diversion of funds as he did not have any information about the alleged wrongdoing and while approving the loan he had acted in bonafide manner. Only after detailed investigation/in-depth analysis of the said wrongdoing by agencies like SEBI it was concluded that the loans were diverted to RFL's erstwhile promoters.

(e) During his tenure the Noticee attended four Audit Committee meeting and three Board meetings of REL.

(f) REL had entered into an agreement with IFC on November 05, 2012 and pursuant to this agreement RPT-SC was constituted to look at related party transactions, Subsequently, on February 22, 2016, contractually RPT-SC was also required to approve RFL's related party transactions. There was no statutory responsibility of RPT-SC to look into the loan proposals of RFL.

(g) It is only after RFL's audit committee and its board had approved its related party transaction that such transactions were contractually required to be brought before RFL.

(h) It was duty of REL/RFL management to certify all the details given to RPT-SC are true and correct and such transactions are entered into in the ordinary course of business.

(i) As regards diversion of loans to 18 entities, loans to only 5 entities were placed before RPT-SC when the noticee was member of the same. The said loans were already approved by RFL. Further, out of the loans to the said 5 entities, only in 3 cases loans were placed before RPT-SC prior to disbursal of such loans. The loans were placed before RPT-SC for limited review of the arm's length nature of the transactions along with certifications by the executive of REL/RFL.

(j) While approving the loan on January 31, 2017, since the Noticee No. 53 was aware of issues raised by RBI, he gave conditional approval by stating that," Please make sure this is in compliance with commitment given to RBI".

(k) The loans approved on August 10, 2017 were post disbursal approval for the loans which were approved by RMC in May, 2017. The Noticee No. 53 had approved the said loans on confirmations from Mr. Anil Saxena and other executives.

(l) The Noticee No. 53 has referred to various top-level executives of RFL/REL and has stated that they did not raise any concerns on the loans granted to the entities.

(m) The Noticee No. 53 has been equated with Mr. Harpal Singh and Mr. AC Mahajan whose position is different from noticee no. 53 as Mr. Mahajan was director of RFL and Mr. Harpal Singh was father-in-law of Mr. Malvinder Singh.

(n) Further, Mr Monish Dutt who was also on RPT-SC has not been issued SCN. He had also approved six loan transactions totalling to Rs. 600 Crores on February 24, 2016 wherein he gave conditional approval even though he was aware of RBI issues since beginning. If the said conditional approval of February 24, 2016 and rejection of loan by Mr. Monish Dutt on January 31, 2017 is seen vis-à-vis the conditional approval of Noticee No. 53 of January 31, 2017, there is no difference in the same.

(o) Therefore, SEBI should apply the same benchmark standards for attributing knowledge of Noticee No. 53 as applied to Mr. Monish Dutt.

(p) The Noticee No. 53 approved the loan proposals after confirming from Mr. Mohit Maheshwari, Company Secretary of REL that RMC has approved the said proposal and that he relied on the representations of Mr. Mohit Maheshwari, however he is not made a noticee in the present SCN to be guilty of fraud.

(q) The role and position of the Noticee No. 53 is clearly distinguishable from the roler of other Noticee Nos. 44-52 and 54-56 and also his role and position is also distinguishable from other members of REL's RPT-SC due to which no allegation of fraud can be sustained against the Noticee No. 53.

(r) All the impugned loan proposals were first initiated, risk evaluated and approved at RMC of RFL and only then used to come before RPT-SC of REL for second look to see if there is any conflict issue and that the Noticee No. 53 was not member of RMC of RFL and was not mover/proposor of the loans to charge him guily of fraud.

(s) The loan proposal conditionally approved by the Noticee No. 53 was conditionally approved only after making sure that the same has been approved by RMC of RFL i.e. on January 31, 2017 at 4:30 PM after confirming from Mr. Mohit Maheshwari that RMC of RFL has approved the said loan proposals.

(t) As regards misrepresentation, the Noticee No. 53 has contended that he has not signed any consolidated or standalone financials of REL and that the financial statements of 2016-17 were placed in the meeting on June 29, 2017 which he did not attend.

(u) The Noticee No. 53 referred and rlied upon the SEBI AO order dated May 18, 2022 in the matter of Fortis Healthcare Ltd. wherein some of the directors were let off by the AO and the

Noticee No. 53 has claimed parity of his case vis a vis said exonerated directors in the matter of Fortis Healthcare Ltd. and prayed for his discharge.

C. *Consideration of Allegations, Replies and Submissions*

666. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 53 and his replies/written and oral submissions.

667. The Noticee No. 53 has sought complete investigation report. This contention is dealt in Part III of this order which deals with the common contentions of the noticees.

668. The Noticee No. 53 was an independent director of REL from August 3, 2016 to November 14, 2017 and he was also a member of RPT-SC and member of audit committee. The Noticee No. 53 has contended that he has been painted with same brush as the directors of RFL. In this regard, references is made to para 7(viii) of SCN which alleges as under:

> *"In the aforesaid fraudulent activity, **the aforesaid entities were indirectly aided by persons approving the relevant loans of RFL** as well as directors of RFL i.e. Noticees No. 44-56, who acted without adequate due diligence and care. Therefore, Noticee Noticees No. 44-56 also aided in the fraudulent act of the promoters and borrower companies, leading to diversion of funds from REL through RFL. Therefore, Notcees No. 44-56 have allegedly violated provisions of Section 12A(a),(b) & (c) and Regulaitons 3(b),(c) &(d) and 4(1) of the PFUTP Regulations..."*

669. Thus, para 7(viii) of SCN makes allegations against the persons who approved the loans as well as directors of RFL. Pursuant to e-mail dated February 22, 2016 of IFC, the CLB loans of RFL required approval of RPT-SC of REL. Since the Noticee No. 53 as a member of RPT-SC of REL had approved certain diverted loans granted by RFL, he has been alleged to have indirectly aided the diversions of funds of REL through RFL. The aforesaid allegation in the SCN does not infer that the Noticee No. 53 was painted with the same brush as that of the directors of RFL. The allegation was pointing to the persons who approved the loans given by RFL which were diverted/misutilised and separately allegations were made on directors of RFL as well.

670. Further, at para 7(xi) and (xii) of SCN, the Noticee No. 53 is alleged to have violated provisions of LODR Regulations and Listing Agreement as the Noticee No. 53 as an independent director of REL failed to abide by the principles governing dislcosures and obligations as prescribed

with respect to listed companies and failed to discharged his duty as a member of Audit Committee of REL. Therefore, the Noticee No. 53 has been alleged to have violated provisions of securities laws in three capacities i.e. he approved certain diverted loans granted by RFL, failed to discharge his duty as an independent director and as a meber of audit committee of REL. Hence, the contentions of the Noticee No. 53 that he has been painted with same brush as the directors of RFL has no merit. Further, it is not the case that all the directors of REL and RFL are charged and also charges in this order are not upheld against every director of REL and RFL. Therefore, the conention of the Noticee No. 53 that he is clearly distinguishable from the role of other noticees who were directors of RFL/REL has not merit.

671. I note that as a member of RPT-SC, the Noticee No. 53 had approved following loans:

Entity	**Loan amount (INR) (in Crores)**	**Security**	**Date of Approval**	**Diverted/Mis-utilised Amount (INR) (in Crores)**
Oscar Investments limited	150	Unsecured	November 03,2016	no diversion observed in the Investigation
Oscar Investments	200	Unsecured	December 27,2016	125
A & A Capital Services Pvt Ltd.	Up to 100	Unsecured	January 31,2017	90
Annies Apparel Pvt Ltd.	Up to 100			75
Sridham (Abhiruchi) Distributers pvt Ltd.	Up to 100			92.4
Gurudev Financial	100	Unsecured	August 10, 2017 (post facto approval of loan already disbursed on May 24, 2017)	97.5
Tara Alloys Ltd.	85			84
Total	**835**			**563.9**

672. Out of the aforesaid loans, majority of loans were partly or fully utilized by erstwhile promoter group entities of RFL/REL or were utilized by other entities to repay principal/interest of earlier loans which were ultimately utilized by erstwhile promoter entities of RFL/REL. The details of the said transactions have already been discussed above at the parts relating to the role of the borrowers/conduit entities.

673. The Noticee No. 53 has contended that RPT-SC was required to look in to the aforesaid loans by virtue of the agreement between IFC and REL. Therefore, he has contended that RPT-SC was not statutorily required to approve the aforesaid loan and that the verification of the entities receiving the loans and any risks associated was not the role, responsibility or function of RPT-SC. In this regard, I note that by virtue of a shareholder agreement between IFC and REL, all fresh transactions related to the ICD book, that may be associated and or indirectly controlled or influenced by the sponsors should be cleared prior to any committment/disbursement, by RPT-SC of REL, as mentioned in agenda as well as minutes of RPT-SC. The shareholders' agreement containing the said condition might have been placed before the members of the REL and accordingly the RPT-SC was constituted with some of the directors of REL which was specifically tasked to consider and approve the loans controlled or influenced by the promoters. By virtue of the same the requirement of independent approval by RPT-SC has become part and parcel of the business rule of REL and RFL that all the related party transactions of RFL shall have the prior approval of RPT-SC of REL before the same is committed/disbursed. In the absence of such an approval by RPT-SC, it is impossible for RFL to grant any loan to the related parties. Even for the argument sake if the contention of the Noticee No. 53 that RPT-SC was not statutorily required to approve the aforesaid loan is accepted, then also the fact remains that the RPT-SC of REL was specifically and expressly assigned with a task to consider and approve the related party loans granted by RFL. The Noticee No.53 having accepted the position and role as member and Chairperson of RPT-SC, now cannot conveniently plead that he has no responsibility or duty on him while approving loans Hence, the said contention of the Noticee No. 53 has no merit.

674. Further, the Noticee No. 53 has also contended that the aforesaid loans were approved by RFL before they were placed before RPT-SC. In this regard, I note from the material available on record that nowhere it has been specifically mentioned that RMC of RFL is recommendatory body before the loan proposals are placed before RPT-SC of REL. The role of both the committees namely RMC of RFL and RPT-SC of REL are not dependent on each other and approval of both the committees are independently required before any loan is committed/disbursed by RFL. I also

note the following from the three minutes of RPT-SC of REL in which the Noticee No. 53 has approved the diverted loans and the minutes of RMC of RFL where the said diverted loans were approved :

(i) Granting of loan to Oscar on December 27, 2016 was first approved by the Noticee No. 53 as Chairman of RPT-SC of REL at 4:33 PM and thereafter, RMC of RFL approved the said loan on the same day in the meeting conducted at 5 -5:30 PM and in the said minutes of RMC of RFL it is recorded that **RPT-SC has already approved the said loan**. The agenda for the RPT-SC was circulated on December 27, 2016 at 4:12 PM even well before the proposal was taken up by RMC of RFL in its phisycal meeting on December 27, 2016 and nowhere in the RPT-SC agenda it is mentioned that RMC of RFL has already approved the loans.

(ii) Granting of loan to three entities on January 31, 2017 was approved by the Noticee No. 53 as Chairman of RPT-SC of REL at 4:29 PM while RMC of RFL approved the said loan proposals on the same day in the meeting held at 3 -3:15 PM and in the minutes of the said meeting of RMC of RFL, it is recorded that in terms of shareholder agreement between IFC and REL, **RPT-SC of REL is also required to consider and approve the said loans**. The agenda for the RPT-SC was circulated on January 31, 2017 at 3:07 PM even well before the proposal was taken up and approved by RMC of RFL in its phisycal meeting on January 31, 2017 and nowhere in the RPT-SC agenda it is mentioned that RMC of RFL has already recommended or approved the said loans.

(iii) As regards loans disbursed to two entities namely Gurudev and Tara on May 24, 2017, RMC of RFL granted approval on May 23, 2017. However, the said proposals were placed before RPT-SC of REL by RFL for ratification on August 10, 2017. In the minutes of the said meeting of RPT-SC of REL, it is recorded that the approval of the said loans could not be obtained from RPT-SC inadvertently and RPT-SC of REL was requested to ratify the same.

675. The aforesaid facts and record clearly shows that there was no requirement of prior approval of loan proposals by RMC of RFL before the same are placed before RPT-SC of REL for consideration and approval as contended by the Noticee No. 53. In fact, in one of the proposals, RPT-SC of REL gave prior approval before RMC of RFL could consider and approve the proposal.

676. The Noticee No. 53 has further contended that the role of RPT-SC was only limited to see as to whether the loans were being given at arm's length. This contention cannot come to the rescue

of the Noticee No. 53 as the fact remains that the proposal of the aforesaid loans were placed before RPT-SC for its consideration and approval. Being a member of RPT-SC and being an independent director of REL, when such loans were placed before the Noticee No. 53, he was expected to exercise proper due diligence and independent judgment as to whether the borrowers had sound financial positions in comparison to the amount of the loans granted to them and whether the said borrowers had capacity to repay the loans and granting such loans may not prejudicially affect the financials of REL and its shareholders' interest. If he had sought such information, he would have come to know that the entities to whom loans were granted did not have sound financial position. For instance, Oscar, A&A Capital, Annies and Sridham (Abhiruchi) all had negative networth. The Noticee No. 53 has contended that such information was not placed before RPT-SC. The said contention cannot be accepted, as even a layman would have asked for the financial capacity of the entity before approving loan to any entity. Further, the minutes of RPT-SC where loans were approved does not mention that the role of RPT-SC was only limited to check that the loans by RFL were given at arm's length and in fact the minutes simply mentions approval of transactions of ICDs by RFL to entities related to erstwhile promoters. Therefore, the Noticee No. 53 cannot escape from the liability in respect of approving the aforesaid loans which were directly or indirectly diverted to the erstwhile promoter group entities thereby causing huge loss and value erosion to the shareholders of REL. Similarly, the argument of the Noticee No. 53 that he was not mover/proposer of the loans to charge him guilty has no merits.

677. The Noticee No. 53 has also contended that no SCN has been issued to Mr. Monish Dutt who was also member of RPT-SC and had also approved loans and in one of the meetings dated February 24, 2016 Mr. Monish Dutt had given conditional approval. The Noticee No. 53 has contended that he had also given conditional approval to loans to three entities on January 31, 2017 by stating that, "Please make sure this is in compliance with commitment given to RBI". Therefore, when no SCN has been issued to Mr. Monish Dutt, the Noticee No. 53 should also be let off, as his position is similar to Mr. Monish Dutt. In this connection, as discussed elsewhere in this order that, this is not the appropriate forum to raise issue as to why some other persons referred in the extract of the Investigation Report are not charged as the role of the Adjudicating Officer in the proceedings is limited to adjudge the violations committed by the noticees herein and impose penalty if found violated. Further, in the absence of Mr. Monish Dutt in the proceedings, commenting or debating his role amounts to investigation which is not permitted in this proceedings. While it is open for SEBI to separately examine the involvement of Mr. Monish Dutt in granting approvals on February 24, 2016

and December 27, 2016, only for the limited purpose of evaluating the contentions of the Noticee No. 53, I note the following differences in the activities of the Noticee No. 53 and Mr. Monish Dutt:

(a) Even though comments of the Noticee No. 53 in RPT-SC meeting dated Jannuary 31, 2017 shows that he was aware of the concerns raised by RBI, however, the Noticee No. 53 again in the meeting dated August 10, 2017 gave post facto approval to the loans which were already disbursed, without seeking any details of actions taken by the company on the RBI concerns or the credentials of the borrower entities.

(b) Mr. Monish Dutt had taken a firm stand in the RPT-SC meeting dated August 31, 2016, wherein he had stated that, *"Please note for the record that I opposed this transaction outlined in the e-mail below at today's RPT Committee Call held at 5.00 P.m.(IST)".*

(c) Further, in November 3, 2016 Mr. Monish Dutt again took a firm stand by stating that, *"Given the RBI's focus on ICDs, and in line with the principle of no further RPT Advances, I disapprove. This is for the record".*

(d) Thereafter, in RPT-SC meeting dated January 31, 2017, Mr. Monish Dutt again disapproved a loan by stating that, *"Please note for the record that I do not approve this transaction. From your Memorandum below, it appears that the proposal relates to promoter controlled entities. If so, in my view, we should not violate RBI norms and views on related party transactions. As an exception, and particularly since it was for a very short term, I had approved a similar transaction the last time such a transaction was proposed. I am unwilling to do so again and make this a routine matter".* In this meeting, even though one of the members of RPT-SC namely Mr. Monish Dutt opposed the granting of loan and also raised concern in respect of RBI norms, the Noticee No. 53 who was chairperson in the said meeting, approved the loans.

(e) For better understanding, it is imperative to compare the details of approval of diverted loans given by the Noticee No. 53 and Mr. Monish Dutt:

Sr. No.	Meeting Date of RPT-SC	Decision of the Noticee No. 53	Decision of Mr.Monish K Dutt
1	February 24, 2016	Not present	Approved the loans
2	August 31, 2016	Not present	Disapproved the loans
3	November 03, 2016 (though no diversion is noted, this meeting relevant to ascertain as to wh the Notciee No. 53 and Mr. Monish K Dutt do not stand on same footing)	Approved the loan Chairman of the RPT-SC	Disapproved the loans

4	December 27, 2016	Approved the loan Chairman of the RPT-SC	Approved
5	January 31, 2017	Approved the loan Chairman of the RPT-SC	Disapproved the loans
6	August 10, 2017	Gave post-facto approval of loans already disbursed c May 24, 2017	Was no longer the director of REL

(f) As is clear from the above, Mr. Monish K Dutt out of five RPT-SC meetings had taken strong objection in three RPT-SC meetings. However, the Noticee No. 53 has failed to show such a firm stand in any of the RPT-SC meetings, in fact in RPT-SC meeting dated August 10, 2017 the Noticee No. 53 had given post-facto approval of loans which were already disbursed despite knowing fully well about the qualified opinion of the auditor in respect of RBI letter dated January 27, 2017 which was presented in the Audit Committee and Board Meetings dated June 29, 2017 and the minutes of the said meetings were confirmed in the Audit Committee and Board Meeting on Augsut 10, 2017 in which the Noticee No. 53 was also present.

(g) Even though Mr. Monish Dutt had approved the loan proposals in two meetings with strong red flags, but he has also disapproved the loan proposals in the three meetings as mentioned above.

(h) Mr. Monish Dutt was not an independent director nor member of Audit Committee or the Chairman of RPT-SC of REL. However, the Noticee No. 53 was holding all the said three positions in REL.

(i) Mr. Monish Dutt was a nominee director appointed by IFC which is one of the complainants in the matter.

678. Therefore, the contention of the Noticee No. 53 that Mr. Mohit Maheshwari was not charged and on that basis he should also be discharged from the present proceedings has no merit.

679. I also note that apart from Mr. Monish Dutt, another member of Audit Committee Mr. Arun Ramanathan had also raised number of red flags, hence investigation had dropped him from the charges. However, the Noticee No. 53 has not furnished or pointed out any of the documents or board resolution etc. to show that he raised any of the red flags or protested in sanctioning the loans. Rather, the Noticee No. 53 knowing fully well the concerns raised by RBI, auditors qualified

opinion and rejection of proposals by another RPT-SC member (Mr. Monish Dut), approved all loan proposals placed before him as Chairman/member of RPT-SC and infact on August 10, 2017 gave post facto approvals.

680. As regards reliance placed by the Noticee No. 53 on the order dated May 18, 2022 of the Adjudicating Officer, SEBI passed in the matter of Fortis Healthcare Ltd. (FHL) (where a listed company namely FHL faced diversion of funds through of a material subsidiary namely Fortis Hospitals Ltd. (FHsL) wherein the Adjudicating Officer has exonerated some of the directors. I have perused the said order and the relevant portions relied upon by the Noticee No. 53 to plead his case and note the following:

Sr. No.	Contention of the Noticee No. 53 who was Chairman/member of RPT-SC of REL	My Findings and Conclusion
	Mr. Anurag Yadav, Mr. Ashish Bhatia and Mr. Daljit Singh (non –executive and non-independent director of FHsL) exonerated in the matter of Fortis Healthcare Ltd.	
1	The Noticee No. 53 while contending that his case is like the case of Mr. Anurag Yadav Mr. Ashish Bhatia and Mr. Daljit Singh in the matter of FHL, has made following arguments: (i) The Noticee No. 53 was not part of any committee or board of directors of RFL which only initiated and first approved the loan and he had no participation on the board of RFL in the due diligence or selection of ICD parties. (ii) The Noticee No. 53 was under reasonable impression that loan dated January 31, 2017 had reached him only after due evaluation and vetting done by the BoD, RMC, Audit Committee etc. of RFL. Before approving the said loans he specifically sought confirmation from Mr. Mohit Maheshwari that the said loan proposals were approved at RFL level.	The said contentions/arguments of the Noticee No. 53 cannot be accepted for the following reasons: (i) In the FHL matter, the BoD of FHL had constituted an executive committee specifically appointed by FHL for evaluating loan proposals and approving the same and Mr. Anurag Yadav, Mr. Ashish Bhatia and Mr. Daljit Singh were not part of the said executive committee or treasury committee appointed by the said executive committee. After the said evaluation/approval, the proposals were brought before the Board in which Mr. Anurag Yadav, Mr. Ashish Bhatia and Mr. Daljit Singh were also present. Therefore, the AO imposed penalty only on the directors present and approved in the executive committee and treasury committee and not on all the other directors who were not part of the said committees. However, in the present matter, the Noticee No. 53 was Chairman/member of RPT-SC of REL which was specifically given task of considering and approving the loans sponsored and or controlled by promoter group entities. Thus, when the loan proposals from RFL were placed before RPT-SC of REL, the members of RPT-SC of REL were obliged to consider and approve the said loans. The Noticee No. 53 has not been charged as one of the directors but only in his capacity of being Chairperson/member of RPT-SC of REL and audit committee of REL. (ii) As regards the contention that the loans were first approved at RFL level, the said contention has already been discussed above and found to have been not correct. As already discussed above, there was no requirement of prior

	(iii) The Noticee No. 53 was not related/connected to any of the borrowing entities or any conduit entities named in the SCN and he relied upon the opinion of other members of the board/committee who were specially entrusted with the task of evaluation/approval of loans.	approval of loan proposals by RMC of RFL before the same were placed for consideration and approval of RPT-SC of REL. In fact, in the loan proposal dated December 27, 2016, the loan proposal was first approved by RPT-SC of REL of which the Noticee No. 53 was Chairman and thereafter, the said loan proposal was approved by RMC of RFL. (iii) While exonerating Mr. Anurag Yadav, Mr Ashish Bhatia and Mr Daljit Singh, various factors were considered by the AO. Additionally, AO had given the finding the said individuals were not related to the promoters. Based on the said passing reference (exoneration was not exclusively on this ground), a similar contention has been raised by the Noticee No. 53 that he was not related to any of the borrower entities/promoters. The said contention of the Noticee No. 53 is irrelevant, as unlike Mr. Anurag Yadav, Mr Ashish Bhatia and Mr Daljit Singh who were not member of executive or treasury committee tasked for approving/evaluating the loans, the Noticee No. 53 was Chairman/member of RPT-SC of REL which was specifically tasked for considering and approving the loans and was also a member of Audit Committee of REL.
Ms. Ritu Garg (non –executive and non-independent director of FHsL) exonerated in the matter of Fortis Healthcare Ltd.		
2	The Noticee No. 53 has contended that like Dr. Ritu Garg he could not have had reasonable doubt about the bonafides of the loan transactions, particularly after the same was approved at RFL level and no nexus or relation has been alleged or can be established between the Noticee No. 53 and the borrowers to whom loans were approved by him.	Dr. Ritu Garg was primarily exonerated as she was found not to be part of any such meeting wherein ICDs/loans were approved. However, the Noticee No. 53 was Chairman/member of RPT-SC of REL and by virtue of the same had approved three proposals to grant loans which were diverted, out of which in one meeting, proposal for ratification of already disbursed loans was approved. Further, as discussed above in respect of Mr. Anurag Yadav, the AO had additionally given a passing observation that Ms. Ritu was also not related to any of the borrowers/promoters. In my view the said additional observations of the AO in that case in isolation cannot help the Noticee No. 53 to seek parity.
Mr. Hemant Dhingra (interim CEO of FHL and finance official of RHC Holding) and Mr. Suni Godhwani (non-independent of FHL) exonerated in the matter of Fortis Healthcare Ltd.		
3	The Noticee No. 53 while contending that his case is like the case of Mr. Sunil Godhwani and Mr. Hemant Dhingra in the matter of FHL, has argued that it is not established that the Noticee no. 53 had a role in approval of loan at RFL level and was not involved in day to day affairs of RFL, REL or borrower or conduit entities.	Mr. Sunil Godhwani was exonerated in th matter of FHL, as he was found to be not in control of RHC group companies (borrower companies) nor he was found to have orchestrated diversion of funds, which were the charges levelled against him. Mr. Hemant Dhingra was exonerated as his role in the fraud being finance official of RHC Holding and in conduit entities in the said proceedings was not specifically brought out and as he did not take the decision in respect of impugned transactions. However, in the instant matter, the role of the Noticee No. 53 has been clearly brought out that as a member of RPT-SC of

		REL he had approved RFL loans which were diverted or misutilised. Furthr, the contention of the Noticee No. 53 that he did not approve the loans at RFL level is irrelevant, as the Noticee No. 53 was member of RPT-SC of REL which was given a specific task of considering and approving the loan proposals.

681. I further note that the Noticee No. 53 has also referred to the order dated May 18, 2022 passed in the matter of FHL by the Adjudicating Officer, SEBI in respect of Mr. Preetinder Singh Joshi and Mr. Tejinder Singh Shergill. I note that the said individuals have been held liable for failure to fulfill their duties as member of Audit Committee of FHL which faced diversion of funds in its material subsidiary namely Fortis Hospitals Ltd. (FHsL). The Noticee No. 53 has contended that unlike Mr. Preetinder Singh Joshi and Mr. Tejinder Singh Shergill, he was not member of Audit Committee of RFL and had approved the loans only conditionally effectively replicating the RBI's concern. In this regard, I note that Mr. Preetinder Singh Joshi and Mr. Tejinder Singh Shergill were not charged for their role in approval of loans but were charged for failure to fulfill their duty as independent director and as a member of audit committee of the listed company FHL which faced diversion in its material subsidiary. After analysing the material on record the Adjudicating officer in that case has concluded that Mr. Preetinder Singh Joshi and Mr. Tejinder Singh Shergill have aided and abetted the scheme of fraud perpetrated by the then management of FHL through their consistent inaction and mechanical approval of the financial statements of FHL over a period of almost seven years and has imposed penalty for the violations of PFUTP Regulations as well as for violation of relevant provisions of listing agreement and the LODR Regulations. Further, similar to the facts in the present matter, the diversion of money took place at the material subsidiary (Fortis Hospitals Ltd./FHsL) of a listed company (FHL). I note the following observations of the AO in the said FHL order:

> *"72 In view of all this, I hold the members of the audit committee of FHL viz. Mr. Brian William Tempest (Noticee no. 41), Mr. Harpal Singh (Noticee no. 40), Mr. Pradeep Raniga (Noticee no. 42),* ***Mr. Preetinder Singh Joshi (Noticee no. 37) and Mr. Tejindar Singh Shergill (Noticee no. 43)*** *to have aided and abetted the scheme of fraud perpetrated by the then management of FHL through their consistant inaction and mechanical approval of the financial statements of FHL over a period of almost seven years, thereby violating the provisions of SEBI (PFUTP) Regulations as alleged in the SCN...."*

682. Therefore, the position of the Noticee No. 53 is similar to that of Mr. Preetinder Singh Joshi and Mr. Tejindar Singh Shergill and also additionally. the Noticee No. 53 was member of RPT-SC of REL which was specifically tasked to consider and approve the loans by RFL. Further, in view of

the distinctions made out in respect of the observations and findings of the Adjudicating Officer in the matter of FHL, the reliance of the Noticee No. 53 on the order dated May 18, 2022 passed by the Adjudicating Officer, SEBI to claim parity has no merits.

683. The contention of the Noticee No. 53 that Mr. Mohit Maheshwari, Company Secretary was not charged nor issued SCN for the violaitons of PFUTP Regulaitons. In this connection, I note that the Noticee No. 53 has not cited any instance of violation by Mr. Mohit Maheshwari, except stating (without any material) that in the agenda items circulated to the members of RPT-SC of REL he has confirmed that proposals were approved by RMC of RFL based on which the Noticee No 53 had approved the said proposals. In this regard, I note that as stated above, out of the three proposals of approving diverted loans, in one case only i.e. August 10, 2017 approval, RMC of RFL gave approval on May 23, 2017 i.e. prior to the ratification of the said disbursed loans by RPT-SC of REL. As regards the other two proposals/agenda circulated by e-mails dated December 27, 2016 and January 31, 2017 no such confirmation/reference was provided by Mr. Mohit Maheshwari. Further, the said two proposals did not contain or required prior approval of loan proposals by RMC of RFL. Further, Mr. Mohit Maheshwari was not part of any of the loan approving committee of RFL but was only Company Secretary of REL. Therefore, the contention of the Noticee No. 53 that Mr. Mohit Maheshwari was not charged and on that basis he should also be discharged from the present proceedings has no merit.

684. It is further contended by the Noticee No 53 that while approving the loans he had relied on the assurances given by the top executives and MD of REL. In this regard, he has referred to the decision of the Hon'ble Supreme Court in Chintalapati Srinivasa Raju wherein the Hon'ble Court had referred to an instructive judgment of Lord Halsbury contained in Dovey and the Metropolitan Bank Vs. John Cory wherein the Lord Chancellor had observed that:

> *"The charge of neglect appears to rest on the assertion that Mr.Cory, like the other directors, did not attend to any details of business not brought before them by the general manager or the chairman, and the argument raises a serious question as to the responsibility of all persons holding positions like that of directors, how far they are called upon to distrust and be on their guard against the possibility of fraud being committed by their subordinates of every degree. It is obvious if there is such a duty it must render anything like an intelligent devolution of labour impossible. Was Mr. Cory to turn himself into an auditor, managing director, a chairman, and find out whether auditors, managing directors, and chairmen were all alike deceiving him? That the letters of the auditors were kept from him is clear. That he was assured that provision had been*

made for bad debts, and that he believed such assurances, is involved in the admission that he was guilty of no moral fraud; so that it comes to this, that he ought to have discovered a network of conspiracy and fraud by which he was surrounded, and found out that his own brother and the managing director (who have since been made criminally responsible for frauds connected with their respective offices) were inducing him to make representations as to the prospects of the concern and the dividends properly payable which have turned out to be improper and false. I cannot think that it can be expected of director that he should be watching either the inferior officers of the bank or verifying the calculations of the auditors himself. The business of life could not go on if people could not trust those who are put into a position of trust for the express purpose of attending to details of management. If Mr. Cory was deceived by his own officers - and the theory of his being free from moral fraud assumes under the circumstances that he was - there appears to me to be no case against him at all. The provision made for bad debts, it is well said, was inadequate; but those who assured him that it was adequate were the very persons who were to attend to that part of the business; and so of the rest. If the state and condition of the bank were what was represented, then no one will say that the sum paid in dividends was excessive.

685. Referring to aforesaid observations, the Noticee No. 53 has contended that it is common for the directors to place reliance on the records/information provided by the management and assurances provided by the top executives of the company. However, the aforesaid observation cannot come to the rescue of the Noticee No. 53 as he was part of RPT-SC for approving loans and being Chairman/member of RPT-SC and Audit Committee of REL, a reasonable man would ask basic questions as to what is the financial position and repayment capacity of the borrower, purpose for which loan was being sanctioned etc. which the Noticee No. 53 failed to do. The Noticee No. 53 did not reject any loan proposal on account weak financials of the borrower entity. Further, on August 10, 2017 the Noticee No. 53 also granted post facto approval to loans disbursed to Gurudev and Tara on May 24, 2017. As discussed elsewhere in the order, the said loan amounts were also either diverted to erstwhile promoter group entities or were mis-utilised for repayment of earlier loans taken from RFL itself. As an independent director and as a member of RPT-SC, the Noticee No. 53 was expected to exercise independent due diligence and judgment without being influenced by the decision of RMC of RFL. However, it appears that on August 10, 2017, the Noticee No. 53 ratified the loans by merely relying on the approval of RMC of RFL instead of asking the financial position, puprose of loan, repayment capacity of the borrower entities, etc. He could have also rejected the loan proposals for various reasons which he failed to do.

686. The Noticee No. 53 has also referred to the Hon'ble Supreme Court order dated December 6, 2021 in CA No. 6320/2021 SEBI Vs. Prafull Anubhai Shah and connected matters (CA No.

6444/2021 SEBI Vs. Rajesh Shah & Ors. and CA No. 6690/2021 SEBI Vs. SN Sharma), wherein a two judge bench of the Hon'ble Supreme Court dismissed the appeals preferred by SEBI against SAT orders dated June 28, 2021 (Prafull Anubhai Shah), July 5, 2021 (Rajesh Shah) and September 7, 2021 (SN Sharma) whereby SEBI orders against the said respondents were set aside inter alia for the reason that even though the said respondents who were independent directors had signed the resolution for issuance of GDR which ultimately led to fraud, in absence of any evidence that the appellant had a role to play in the issuance of GDR, the mere presence of a director in the resolution does not make them liable for the fraud. It is pertinent to note that, SEBI has preferred review of the said order dated December 6, 2021 of the Hon'ble Supreme Court which is pending and wherein a notice has been issued by the Hon'ble Supreme Court.

687. Further, the Hon'ble SAT in the matter of Kishore Hegde (Appeal No. 300/2019), which was also a GDR matter involving liability of an independent director, vide order dated November 5, 2019 had upheld order of SEBI observing that:

> *"**The contention of this appellant that he was not involved in the day to day running of the company cannot be accepted as he was found to be part of the resolution process of the company and his involvement in the issuance of the GDR proceeds. Apart from the above, we also find that the appellant was also the Chairman of the audit committee of the company. The WTM found that being the Chairman of the audit committee, he did not place any objection as to why the GDR proceeds did not reach the company and how the proceeds were utilized.** We are thus, of the opinion that in the light of the findings given by the WTM, the appellant Kishore Hegde was part of the scheme through which issue of GDR by the company was effected through a fraudulent arrangement of loan agreement and pledge agreement....."*

688. Mr. Kishore Hegde had preferred appeal against the aforesaid order dated November 5, 2019 before the Hon'ble Supreme Court wherein, a three judge bench of the Hon'ble Supreme Court dismissed the said appeal vide order dated June 29, 2021 and a review of the said order was also dismissed vide order dated November 23, 2021. Therefore, the observations of the Hon'ble SAT in Kishore Hegde matter stands established.

689. Similar to Mr. Kishore Hegde in the aforesaid matter, the Noticee No. 53 was also a member of Audit Committee and Chairman/member of RPT-SC and had also attended audit comiitee meetings and board meetings during his tenure. As submitted by the Noticee No. 53, he had attended four audit committee meetings and three Board meetings. Further, in terms of Regulation

24 of the LODR Regulations that the role of the Audit Committee is very exhaustive and a role of director who is part of audit committee is very wide in comparison to other non-executive directors. In terms of Regulation 24(2) of the LODR Regulations, the Audit Committee of a listed company is mandatorily required to review the financial results of a material subsidiary particularly the investments of the material subsidiary on quarterly basis. Thus, the financial results of subsidiaries of REL including RFL were reviewed by the Audit Committee of REL on quarterly basis. If as a member of Audit Committee, the Noticee No. 53 had made an enquiry as to why so many loans were being granted to the entities having no sound financial positions, the whole scheme of diversion of funds could have been avoided. Therefore, order dated December 6, 2021 of the Hon'ble Supreme Court in Prafull Anubhai Shah (Supra) cannot come to rescue of the Notice No. 53. It is further contended by the Noticee No. 53 that he cannot be held liable as he was not aware of the scheme of diversion of funds of RFL. The said contention of the Noticee No. 53 cannot be accepted for reasons already elaborated earlier. Similarly, the contention of the Noticee No. 53 that he has not signed any consolidated or standalone financials of REL and that the financial statements of 2016-17 were placed in the meeting on June 29, 2017 which he did not attend has no merits, as the minutes of Audit Committee meeting dated June 29, 2017 were confirmed in Audit Committee meeting dated August 10, 2017 in which the Noticee No. 53 was present.

690. In view of the aforesaid, the Noticee No. 53 did not exercise independent judgment and proper due diligence while approving the aforesaid loans, thereby indirectly aided in the diversion/mis-utilisation of funds of REL through RFL to RHC Holding (wholly owned and controlled by Singh brothers). Further, he also failed to discharge his duty as an independent director as well as a member of Audit Committee.

MR. H SRIKRISHNAN (NOTICEE NO. 54), MR. ACHAL GHAI (NOTICEE NO. 55) AND MS. KANCHAN JAIN (NOTICEE NO. 56)

A. Sum and Substance of the Allegations

691. In the SCN qua Mr. H Srikrishnan (Noticee No. 54), Mr. Achal Ghai (Noticee No. 55) and Ms. Kanchan Jain (Noticee No. 56), it is alleged that they had played a role in granting approval of loans by RFL to various borrower companies and/or as a directors of RFL, wherein they failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion of funds of REL through RFL. Thus, the Noticee Nos. 54, 55 and 56 are alleged to have violated

Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003. Therefore, it is felt appropriate to deal with the roles of all three noticees at one place.

B. Service of SCN and subsequent replies

692. The SCN was delivered to the Noticee No. 54 by SPAD and thereafter, Noticee No. 54 sought opportunity of inspection of documents. The opportunity of inspection of documents was duly provided to the Noticee No. 54 on October 28, 2021 wherein his representative had carried out the inspection in the matter. In the interest of Justice, hearing opportunity was provided to the Noticee No. 54 on January 10, 2022 vide hearing notice dated December 23, 2021 which was adjourned to February 7, 2022 and then to February 25, 2022. The Noticee No. 54 was duly represented by his authorized representative through webex on the February 25, 2022. The Noticee No. 54 filed additional submission dated March 4, 2022. In the said letters/replies and in the hearing, the Noticee No. 54 made submissions *inter alia* as under:

(i) The Noticee No. 54 was non-executive director of RFL from June 27, 2013 to February 20, 2015. His name has not been mentioned anywhere in the entire process on origination and approval of process of loans relating to the CLB portfolio. He was never a member of RMC or Audit Comiitee and there is no finding that he was aware of the loan approval process.

(ii) The Noticee No. 54 was not a part of REL RPT-SC as he was never on board of REL.

(iii) SEBI has no jurisdiction to investigate any matter of RFL as the shares of RFL are not listed on stock exchange.

(iv) In AZB Report, it is mentioned that RBI had been making adverse comments from 2012-13 and refers to summary of adverse observations which related to the period from 2016 to 2018 which is long after the period of directorship of the Noticee No. 54.

(v) All the loans which are alleged to be diverted in the Investigation Report are after the tenure of the Noticee No. 54. Further, the loans that are alleged to be diverted have been alleged to be used to pay past loans, some of which were granted during the tenure of Noticee No. 54 were never brought to the Board of RFL.

(vi) A non-executive director is not in charge of day-to-day business of the Company and has insight into the affairs of the company only through Board process. In this regard, the Noticee No. 54 has referred to section 149(12) of the Companies Act, 2013, MCA Circular dated July

29, 2011, Regulations 29(5) of LODR Regulations and Section 27 of the SEBI Act and various orders of the Hon'ble SAT.

693. The SCN was delivered to the Noticee No. 55 by SPAD on February 22,2021 and reply to the same was filed by the Noticee No. 55 vide letters dated March 08 and 12, 2021. In the interest of Justice, hearing opportunity was provided on September 14, 2021 vide notice of Hearing dated August 12,2021 which was delivered to the Noticee No. 55 on August 21,2021. The Noticee No. 55 was duly represented by his authorized representative on the said date of hearing. The Noticee No. 55 vide the said letters and in the hearing made submissions *inter alia* as under:

(a) The Noticee became the shareholder of Resurgence, which came to invest into the shares of RFL. He was appointed as a non-executive director, on the board of directors of RFL as a nominee of Resurgence which is the company that initiated the complaint against RFL. The Noticee held a position of a non-executive director from November 17, 2011 to October 12, 2015 and had no control over the management and day-to-day affairs of RFL.

(b) The Noticee had no connection or dealing with any of the other Noticees during his Tenure or during the relevant period of investigation. The loans given by RFL were approved by the loan approval committee of RFL of which the Noticee who was not a part.

(c) The approval of the board of directors of RFL was given, after deliberation, based on certification/audit carried out in accordance with the process laid down under applicable laws the veracity of which the Noticee had no means to doubt since he was a mere non-executive director. Further, the Noticee had no responsibility to undertake the statutory compliances of RFL with regard to the Reserve bank of India or the Registrar of Companies.

(d) The due diligence for treasury functions including evaluation, potential exposure assessment etc. was primarily responsibility of Managing Directors and the CFO of RFL and it was never disclosed to the board of RFL that the ultimate beneficiaries of certain loans were such erstwhile promoter related entities.

(e) The Statutory Auditor did not raise any objection or qualify the results till 2017 even after the alleged letters from Reserve Bank of India.

(f) The Noticee has also referred to the recent circular issued by the Ministry of Corporate Affairs ("MCA") on March 2, 2020 bearing General Circular no. 1/2020, wherein it is inter alia provided that no civil or criminal proceedings can be initiated against the non-executive directors without any sufficient evidence against them. It is clear from the contents of SCN

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that neither any specific allegation has been made out against the Noticee nor any offence can possibly be established against the Noticee.

(g) In accordance with Section 149 (12) (ii) of the Companies Act, 2013, the Noticee being a non-executive director cannot be held liable in respect of alleged acts of omission or commission by RFL since such alleged acts occurred without the knowledge of the Noticee and were not attributable to the Noticee.

(h) The Noticee has always performed his duties in terms of Section 166, by being reasonable, prudent and has acted bonafide for the benefit of RFL.

(i) The transaction of the financial assistance to the related parties including the fixed deposits, as per SCN itself pertains to the period from November 2016 to January 2017. All the investments and loans to Religare Group Companies and Erstwhile promoter Group Companies given in the year 2017 were again after the Noticee's Tenure in RFL.

(j) The shares of RFL are not listed and the noticee cannot be held liable for any alleged breach of any aforesaid provisions of law.

694. The SCN was delivered to the Noticee No. 56 by SPAD on February 22,2021 and thereafter, Noticee No. 56 sought opportunity of inspection of documents. The opportunity of inspection of documents was duly provided to the Noticee No. 56 on October 29, 2021 wherein her representative had carried out the inspection in the matter. Thereafter, the Noticee No. 56 had sought certain documents vide letter dated November 12, 2021 which were duly provided to her. The Noticee No. 56 filed her reply vide letter dated December 02, 2021. In the interest of Justice, hearing opportunity was provided on December 03, 2021 which was adjourned to December 08, 2021 as per her request. The Noticee No. 56 vide the said letters/reply and in the hearing made submissions *inter alia* as under:

(i) As per the Investigation Report the noticee was a director of of RFL only between March 25, 2013 till March 20, 2015. The notice was Whole Time Director only up till March 07, 2014. Thereafter, she was transferred to Religare Credit Advisors LLP (RCAL).

(ii) Reference is also drawn to Table 22, para 14, page 79 of the Extract of the Investigation Report which categorically sets out that the noticee was not part of the loan approval committee of RFL/REL.

(iii) SCN is vitiated by delay and laches, and on this ground alone, the instant proceedings ought to be dropped and the SCN disposed of.

(iv) Her exit from RFL is also marked by the change in her designation from Whole Time Director to non-executive Director on March 07, 2014, as recorded in the Extract of the Investigation Report. Post her exit from RFL in March 2014, she had also addressed an email to the then

Group CEO, Mr. Shachindra Nath, questioning her board membership with RFL due to transfer to RCAL. However, her formal resignation from the board of RFL has been recorded only on March 20, 2015. She has submitted that to the best of her memory, she did not attend a single board meeting during the Relevant Period.

(v) It is a settled position of law, upheld by the Hon'ble Supreme Court and reiterated by the Hon'ble Tribunal, that a person cannot be held liable for each and every act of a company, merely because he/she was a director of the company and that when a company is an offender, vicarious liability of the directors cannot be imputed directly. In this regard, the noticee has referred to certain case laws of the Hon'ble Supreme Court.

(vi) The Noticee has further referred to MCA Circular dated March 02, 2020, in respect of liability of independent directors or non-executive directors.

(vii) The Noticee has further pointed out that her reply pursuant to Interim and Confirmatory orders have not been considered and her reply has been dealt in the summary manner in the Extract of the Investigation Report.

(viii) Accordingly, the noticee submits that the test of preponderance of probabilities too cannot be said to have been met in this case merely on the basis that the noticee was director of RFL.

(ix) Since the noticee had no role whatsoever to play in the loan approval process, as a matter of record, the noticee submits that she has not made any personal gains or benefitted, directly or indirectly, from the events that have transpired at RFL/REL.

C. *Consideration of Allegations, Replies and Submissions*

695. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee Nos. 54 to 56 and their replies/written submissions.

696. The Noticee Nos. 54 and 55 have made a contention that they were director of RFL which shares are not listed and therefore SEBI has no jurisdiction to investigate into the affairs of RFL, hence, they cannot be held liable for any alleged breach. The Noticee No. 56 has raised an objection in respect to delay in issuance of SCN. These contentions of the SEBI having no jurisdiction in the matter is discussed in detail in part III which deals with the common contentions of the noticees.

697. The Noticee No. 54 was non-executive director of RFL from June 27, 2013 to February 20, 2015. The Noticee No. 55 was a non-executive director nominated on Board of RFL from November 17, 2011 to October 12, 2015, on behalf of Resurgence which had filed the complaint alleging diversion of funds to the erstwhile promoter group entities. The Noticee No. 56 was director of RFL between March 25, 2013 till March 20, 2015. She was Whole Time Director of RFL till March 07, 2014, thereafter she exited from RFL and continued as non-executive director of RFL. Further, she

has provided a copy of e-mail vide which she had questioned her membership in board meetings of RFL as she had already been transferred to RCAL.

698. I note from the loan approval matrix provided on pages 69-71 of the extract of the investigation report that, the Noticee Nos. 54 to 56 were not part of any of the committees of RFL or REL which approved the diverted loans.

699. In view of the aforesaid, it is observed that the majority of loans which were diverted to RHC Holding (wholly owned and controlled by Singh brothers) or were utilised to repay earlier loans were approved/disbursed after the tenure of the Noticee Nos. 54 to 56 in RFL.

700. In terms of section 149(12) of the Companies Act, 2013, a non-executive director not being an erstwhile promoter or key managerial personal, can only be held liable in respect of acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes and with his consent or connivance or where he had not acted diligently. Further, reference is also made to, Official Liquidator, Supreme Bank Ltd. vs P.A. Tendulkar (Dead) by Lrs. and Ors. [MANU/SC/0005/1973], wherein in respect of the liability of a director, the Court held that:

> *"41. It is certainly a question of fact, to be determined upon the evidence in each case, whether a Director, **alleged to be liable for misfeasance, had acted reasonably as well as honestly and with due diligence, so that he could not be held liable for conniving at fraud and misappropriation which takes place. A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally**."*

701. As per the aforesaid observation of the Hon'ble Supreme Court, it has to be ascertained as to whether the Noticee Nos. 54 to 56 were so closely associated personally with the management of the company or involved in the loan sanction process or committees so as to make them liable in respect of the diversion of the funds of REL through RFL.

702. The SCN alleges the Noticee Nos. 54-56 had played a role in granting approval of loans by RFL to various borrower companies and/or as a director of RFL, wherein they failed to carry out adequate due diligence and exercise independent judgment, thereby aided in misuse and diversion

of funds of REL through RFL. Further, in respect of non-independent directors, the investigation observes that, "RFL had more than once given assurances to RBI giving commitment for downsizing the CLB. Hence, RFL's Board and especially its non-independent directors during the relevant period should have been more vigilant, expressive and mindful of the concerns regarding CLB portfolio and other regulatory concerns. However, as has been seen from the trail of events and manner of grant of loans during the relevant period, they failed to do so".

703. The Noticee Nos. 54-56 were neither member of the committee which approved the loans nor were part of the audit committee of REL. I further note that in board meetings of RFL, concerns of RBI were discussed, however, the investigation does not give a finding that the board of RFL was tasked for approving the loans. Even though the Noticee Nos. 54 to 56 had attended board meetings of RFL in FY 2014-15 and the Noticee No. 55 had attended one board meting of REL in FY 2015-16, the same does not prove that the Noticee Nos. 54 to 56 had connived in respect of diversion of funds of RFL as they did not approve any loans which were diverted to the promoter group entities. If the Noticee Nos. 54 to 56 as a member of loan approving committees of RFL had approved diverted loans, then it can be reasonably stated that the said noticees were not vigilant, expressive and mindful of the concerns regarding CLB portfolio and other regulatory concerns. However, the fact remains that the Noticee Nos. 54 to 56 were not member of loan approving committee. Further, the Noticee Nos. 54 to 56 were not member of audit committee of REL which was tasked to quarterly review the financial statements of its subsidiaries including RFL. Therefore, I am inclined to give a benefit of doubt the said noticees in respect of diversion/mis-utilisation of funds of RFL.

704. Therefore, since the Noticee Nos. 54 to 56 were not part of any of the loan process or any of the committees which approved loans/investments which led to diversion of funds, a benefit of doubt has to be given to the said noticees in respect of diversion of funds of REL through RFL. Accordingly, I am unable to convince with the levelling of charges of the PFUTP Regulations' violations against the Noticee Nos. 54 to 56.

Mr. HEMANT DHINGRA (NOTICEE NO. 57)

A. Sum and Sunstance of the Allegations

705. In the SCN qua Mr. Hemant Dhingra (Noticee No. 57), it is alleged that he was observed to be part of a fraudulent and deceptive device wherein he acted in a fraudulent manner which led to overall diversion of funds to the tune of Rs. 2473.66 (approx..) through RFL, a material subsidiary

of REL to the benefit of the erstwhile promoters of RFL/REL namely RHC Holding. Thereby, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d) and 4(1) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

706. The SCN was delivered by SPAD on February 20, 2021 to the Noticee No. 57. On August 2, 2021, the Noticee No. 57 filed a settlement application under the Settlement Regulations with SEBI. Since the Noticee No. 57 failed to appear in the internal committee and the amount proposed by him was not in line with the amount calculated as per the Settlement Regulations, the Settlement Application filed by the Noticee No. 57 was rejected by SEBI vide e-mail dated January 24, 2021. Thereafter, vide letter dated January 25, 2021, an opportunity of hearing was provided to the Noticee No. 57. In response to the same, vide letter dated February 12, 2022 the Noticee No. 57 sought certain documents and also sought adjournment. In view of the same, vide letter dated March 11, 2022, the documents relevant to and relied upon in the proceedings were provided to the Noticee No. 57 and he was directed to file reply. Thereafter, vide letter dated March 29, 2022, a hearing opportunity was provided to the Noticee No. 57 on April 20, 2022. The Noticee No. 57 filed reply dated April 19, 2022. On the said date of hearing, the Noticee No. 57 appeared through webex and was represented by his authorized representative. Further, the Noticee No. 57 filed post hearing reply on May 2, 2022. In the hearing and in the replies, the Noticee No. 57 made submissions *inter alia* as under:

(i) The SCN is vague and does not make any precis allegations against the Noticee No. 57 in order to show cause. In this regard, the Noticee No. 57 has referred to decisions of the Hon'ble Supreme Court in the matter of Gorkha Security Services (Supra) and Canara Bank Vs. Debasis Das (2003) 4 SCC 557 and orders of Ld. SAT in the matters of Swaranganga Trading Private ltd. Vs. Adjudicating Officer, SEBI (Appeal No. 74) and M.G. Capital Services Ltd. (Appeal No. 62/2012).

(ii) All the financial decisions relating to RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL and its group companies were taken by Mr. Sunil Godhwani and were approved by the Board of Directors of RHC. Even though the Noticee No. 57 was designated as a "Director Finance of RHC" he was not a Director on the Board of RHC

Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL during the investigation period which can be substantiated with director details of RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL. Hence, the Noticee No. 57 was one of the personnel who were authorised on behalf of the company by its directors to carry out execution of the instructions/approvals granted by them. Therefore, he did have any say in decision making.

(iii) The name of the Noticee No. 57 has not been mentioned in the FAR. Neither the relevant extract of the Investigation Report nor SCN anywhere mentions that the Noticee No. 57 had any role with regard to the alleged transactions between RFL and the noticees in the matter.

(iv) In the investigation, conducted by Economic Offence Wing in the matter relating to CLB loans, the name of the Noticee No. 57 does not fall under the category of accused. The Noticee No. 57 has been brought as witness in the said charge sheet.

(v) The AZB report makes certain observations against the Noticee No. 57 on the basis of certain e-mail and discussions. However, not a single finding has been made by SEBI with regard to the role of the Noticee No. 57 in the scheme of fraud.

(vi) It is well settled position of law that for any person to be made liable for fraud or defaults of a company, it needs to be vary clearly and unambiguously shown in the SCN as to how such person was responsible for the conduct of such fraudulent affairs of the company. In this regard, the Noticee No. 57 has referred to the decision of the Hon'ble Supreme Court in K.K. Ajuja Vs. V.K.Vora and Ors. [(2009) 10 SCC48] and Ld. SAT's decision in Pritha Bag Vs. SEBI (Appeal No. 291 of 2017) and Adesh Jain Vs. SEBI (Appeal No. 217 of 2020) and SEBI's order dated August 03, 2017 in the matter of Amazon Capital Ltd.

(vii) The analysis of all the loan transactions in the extract of the Investigation Report nowhere mentions the role/connection with regard to the alleged loans. In this regard, the Noticee No. 57 has referred to the order dated August 26, 2021 passed by the Adjudicating Officer in the matter of Mr. Rashim Tandon.

(viii) In respect of FD's of RFL placed with LVB, the e-mail dated November 11, 2016 forwarded by the Noticee No. 57 to LVB, he had received the said e-mail from Mr. Pawan Seth in which REL's and RFL's senior management were also kept in CC, which corroborate the fact that the Noticee had been instructed to send the mail and that REL knew about the said loan against the FD's.

(ix) The issue of the adjustment of FD's of RFL by LVB is pending before the Hon'ble Delhi High Court, therefore the role of the Noticee No. 57 in respect of an issue which is sub-judice cannot be decided.

(x) The Noticee No. 57 had nothing to do with regard to the decision making of RFL. For making any person liable for fraud or defaults of a company, it needs to be very and unambiguously shown in the SCN as to how such person was responsible for conduct of such fraudulent affairs of the company. In this regard, the Noticee No. 57 has referred to various case laws.

C. *Consideration of Allegations, Replies and Submissions*

707. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 57 and his replies/written submissions.

708. The Noticee No. 57 has contended that the SCN is vague and ambiguous. This contention is dealt in detail in part III which deals with common contentions of the noticees.

709. As regards the role of the Noticee No. 57 in the diversion/mis-utilisation of funds, it is alleged in the extract of the Investigation Report that, "role of Mr. Hemant Dhingra as main official functionary/representative of RHC group cannot be disregarded and it is concluded that he was also a part of the fraudulent scheme leading to diversion fo funds for erstwhile promoters' benefit and also misrepresentation of REL's consolidated financials".

710. From the submissions of the Noticee No. 57, it is observed that he was not a director on the board of RHC Holding (wholly owned and controlled by Singh brothers), the ultimate beneficiary of the fraudulent scheme. Even though his designation was "Director of Finance" he was not a director on the board of RHC Holding. The extract of the Investigation Report also does not mention the Noticee No. 57 as one of the directors on the board of RHC Holding.

711. However, I note that the Noticee No. 57 was a Director-Finance of of RHC Holding and being in such a position was aware of diversion of the funds of REL through RFL to RHC Holding through various borrower/conduit entities. Being in such scenario, the Noticee No. 57 never raised any objection or red flags as to why those amounts were continuously credited to the account of RHC Holding without having material transactions with those conduit entities. It is not clear and also not established that the purpose for which not one but more than 40 conduit entities have directly or indirectly transferred the funds to RHC Holdings (wholly owned and controlled by Singh brothers) on multiple occassions. The Noticee No. 57 being a director-finance has not established with any

documentary evidence as to why these conduit entities have transferred the money to RHC Holdings nor have established that RHC Holding had returned the money on the ground of wrong remittances received by them nor has established that he had taken steps to prevent such unauthorised transactions which took place in RHC Holdings. Hence, the Noticee No. 57 aided and abetted Singh brothers for syphoning of funds of RFL through RHC Holding as discussed elsewhere in this order.

712. As regards adjustment of FDs by LVB against loan to RHC Holding (wholly owned and controlled by Singh brothers), RFL had created fixed deposits of Rs. 210 Crores and Rs. 190 Crores on November 11, 2016 and Rs. 150 Crores and Rs.200 Crores. From the extract of the Investigation Report and letter dated October 11, 2019 from LVB and its annexures (which were provided to the Noticee No. 57 vide letter dated March 11, 2022), it is observed that:

(i) In respect of loan granted to RHC Holding and Ranchem on November 11, 2016 and December 31, 2016:

(a) On November 10, 2016, the Noticee No. 57 vide an e-mail requested LVB for granting temporary loans of Rs. 200 Crores and Rs. 175 Crores to RHC Holding and Ranchem respectively and mentioned that one of the group companies will be creating a fixed deposit of 105% of the aggregate loan value (Rs. 400 Crores) and undated signed cheques for remittance of maturity proceeds for settlement of loan in case the said loan is not repaid by the borrower companies.

(b) Thereafter, vide e-mail dated November 11, 2016, the Noticee No. 57 also forwarded the letter of FD creation received from RFL to LVB.

(c) On same day November 11, 2016, RHC Holding and Ranchem filed an application seeking financial assistance against security of term deposits.

(d) Pursuant to above, loans of Rs. 199.5 Crores and Rs. 8.84 Crores were granted to RHC Holding on November 11, 2016 and loans of Rs. 174.80 Crores and Rs. 13.49 Crores were granted to Ranchem which also transferred the said amount to RHC Holding (wholly owned and controlled by Singh brothers).

(ii) In respect of loan granted by LVB to RHC Holding on January 9, 2016:

(a) The Noticee No. 57 vide e-mail dated January 7, 2017 sought additional limit of Rs. 400 Crores for RHC Holding (wholly owned and controlled by Singh brothers) against creation of FDs by a group company.

(b) On January 9, 2017, RFL created FDs of Rs. 200 Crores and Rs. 150 Crores.

(c) On same day, RHC Holding filed an application seeking financial assistance against security of term deposits. Pursuant to which LVB granted loan of Rs. 350 Crores to RHC Holding (wholly owned and controlled by Singh brothers) against the second FD of RFL.

713. The aforesaid events clearly demonstrate the role of the Noticee No. 57 in mis-utilisation of FDs of RFL. The starting point of the said mis-utilisation was the e-mail dated November 10, 2016 whereby the Noticee No. 57 sought loans from LVB for RHC Holding and Ranchem. The Noticee No. 57 was instrumental in co-ordinating with LVB for giving loans to RHC Holding and Ranchem on the basis of FDs of RFL. Without any authority from RFL, the Noticee No. 57 was sending e-mails to the then LVB giving commitment of creation of charge/lien on FDs of a group company and forwarded the FD creation letter of RFL givig an impression that RFL has kept its FDs with the then LVB for the purpose of giving loan to RHC Holding and Ranchem.

714. In respect of the aforesaid e-mails, the Noticee No. 57 has contended that in e-mail dated November 11, 2016 from RFL, senior management of RFL were kept in CC and that REL knew about the said loan against the FD's. This fact itself proves that the Noticee No. 57 was aiding erstwhile promoters of RFL in mis-utilisation of FDs of RFL.

715. The letters of RFL vide which FDs were created does not give a clear indication as to for what purpose the said FDs can be used. Further, no evidence has come on record which shows that there was a clear instruction from RFL to LVB for creating lien on the FDs of RFL in respect of loans granted to RHC Holding and Ranchem. Further, no document has been produced by the Noticee No. 57 which proves that REL or RFL had authorised the Noticee No. 57 or LVB to use the FD's of RFL for granting the loan to RHC Holding and Ranchem. In respect of the said e-mails sent by the Noticee No. 57 to LVB, the Noticee No. 57 sought cross examination of LVB. The said cross examination was not required as the Noticee No. 57 has not denied the sending of e-mails and in fact has accepted the sending of the e-mail dated November 11, 2016. The Noticee No. 57 has also not denied any of the documentary evidences or their validity nor denied any of the transactions dealt with LVB by him. Hence, the request for the cross examination is not justified.

716. Even otherwise, the Noticee No. 57 should have taken note that, in absence of valid creation of pledge documents by RFL, RHC Holding was not entitled to get loans or could have applied for additional loans. From the chain actions of the Noticee No. 57 discussed above, it is visibly clear that by hook or by crook, the Noticee No. 57 gave an impression that RFL's FD is obtained as

security thereby facilitated loans to RHC Holding, without ensuring proper documentation, allowing erstwhile promoters to divert funds for their personal benefit.

717. As discussed in the part relating to LVB/DBIL, without creating valid pledge of FDs of RFL, the loans were sanctioned at the instance of the Noticee No. 57 and loans were disbursed not at one instance but at five instances as mentioned on page 7 of the extract of the investigation report. The Noticee No. 57 being a Director-Finance of RHC Holding is not expected to play role in fraudulent loans from LVB under the pretext of creating charge on FDs of RFL and in diversion of the said loans for the benefit of promoter owned companies.

718. The Noticee No. 57 has contended that Economic Offence Wing in the matter relating to CLB loans has not made him an accused and made him as a witness in the charge sheet. From perusal of the chargesheet submitted by the Noticee No. 57, I note that the proceedings initiated by Economic Offence Wing pertain to violation of provisions of Indian Penal Code, 1860 which are criminal proceedings. However, the instant proceedings are civil in nature to ascertain violation of securities laws in order to impose penalty for such violation. Therefore, the aspect of proceedings initiated by Economic Offence Wing is of no relevance.

719. The Noticee No. 57 has also referred to the August 26, 2021 passed by the Adjudicating Officer, SEBI in the matter of Mr. Rashim Tandon. The said order was passed in respect of liability of statutory auditors in the scheme of diversion of funds of Fotis Hospitals Ltd. The Noticee No. 57 was not a statutory auditor and therefore, cannot avail the benefit of the said order.

720. The Noticee No. 57 has contended that the issue of adjustment of FDs of RFL by LVB against loans to RHC Holding and Ranchem is pending before the Hon'ble Delhi High Court. Therefore, his role in respect of the same cannot be decided. The said proceedings are separate from the current proceedings which have been initiated to inquire into and adjudge the role of the Noticee No. 57 in the diversion of funds of REL through. As already noted above, the Noticee No. 57 was instrumental in using the FDs of RFL in order to facilitate the loan from LVB to RHC Holding and Ranchem without any authorisation from RFL.

721. The Noticee No. 57 has contended that it is well settled position of law that for any person to be made liable for fraud or defaults of a company the SCN should clearly show as to how such person was responsible for the conduct of such fraudulent affairs of the company. In this regard, he

has referred to the decision of the Hon'ble Supreme Court in K.K. Ajuja Vs. V.K.Vora and Ors. (Supra) and Ld. SAT's decision in Pritha Bag (Supra) and Adesh Jain (Supra) and SEBI's order dated August 03, 2017 in the matter of Amazon Capital Ltd. The decision of Ld. SAT in Adesh Jain may not be applicable as the Hon'ble Supreme Court vide order dated September 21, 2021 has remanded the said matter to Ld. SAT. The decision of the Hon'ble Supreme Court in the matter of K.K. Ahuja (Supra) involved issue of vicarious liability of director in case of violation of section 141 of the Negotiable Instruments Act, 1881 (NI Act) wherein it was held that for filing complaint against a Director, Secretary or Manager or any person as mentioned in clause (c) to (d) of the Companies Act, 1956 (who are not Managing Director of the company or director or person who signed the cheque), an averment that he was in charge of and was responsible for the conduct of the business of the company is necessary to bring out the case under section 141(1) of the NI Act, 1881. The ratio of the said decision of the Hon'ble Supreme Court is that, for charging a manager or person in capacity of officer in default under section 5 of the Companies Act, 1956 a finding has to be given that the said manager or person is officer in default. The decision of the Ld. SAT in the matter of Pritha Bag and SEBI' decision in Amazon Capital Ltd. also lays down similar principle.

722. In the instant matter, at para 7(vii) the SCN clearly alleges that the Noticee No. 53, along with Singh brothers, RHC Holding, ANR Securitis and RCSL, LVB, borrower and conduit entities, was observed to be part of a fraudulent and deceptive scheme. In this regard, the extract of Investigation Report clearly mentions that the Noticee No. 57 was Director-finance and official functionary of RHC Holding and also explains all the transactions which led to diversion of funds to RHC Holding (owned and controlled by Singh brothers). As already explained above, the Noticee No. 57 played a crucial loan in diversion of funds by mis-utilising the FDs of RFL for loans from the then LVB. Thus, the SCN read with the extract of the Investigation Report clearly brings out the role of the Noticee No. 57 in whol scheme of diversion of funds of REL thorugh RFL to RHC Holding (wholly owned and controlled by Singh brothers). Therefore, the aforesaid contention of the Noticee No. 57 that for any person to be made liable for fraud or defaults of a company the SCN should clearly show as to how such person was responsible for the conduct of such fraudulent affairs of the company does not merit consideration as in the instant matter the SCN read with the extract of the Investigation Report clearly brings out the role of the Noticee No. 57.

723. In view of the aforesaid, I conclude that the Noticee No. 57 had aided the erstwhile promoters of RFL/REL in diversion of funds of REL through RFL for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers).

MR. RAVI UMESH MEHROTRA (NOTICEE NO. 58) AND MR. VIRENDRA KUMAR MADAN (NOTICEE NO.59)

A. Sum and Substance of the Allegations

724. In the SCN qua Mr. Ravi Umesh Mehrotra (**Noticee No. 58**) and Mr. Virendra Kumar Madan (**Noticee No. 59**), it is alleged that, as directors of REL, they failed to discharge their duty in an effective manner and to abide by principles governing, disclosures and obligations, which was required in the best interests of the listed company and its shareholders. Therefore, it is alleged that the Noticee Nos. 58 and 59 has violated relevant provisions of Listing Agreement 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.

B. Service of SCN and subsequent replies

725. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 58-59 and their replies/written submissions.

726. The SCN was delivered by SPAD on February 23, 2021 to the Noticee No. 58. In the interest of Justice, hearing opportunity was provided to Noticee No. 58 on September 6, 2021 vide notice of Hearing dated August 12, 2021 which was delivered to Noticee No. 58 on August 23, 2021. Pursuant to the same, the Noticee No. 58 filed a one-page reply dated August 31, 2021. The link for the hearing scheduled on September 6, 2021 was sent to the Noticee No. 58 to the e-mail id provided by him. However, the Noticee No. 58 did not appear on the said date of hearing and therefore the matter would be proceeded on the basis of material available on record in accordance with law. In his reply dated August 31, 2021, the Noticee No. 58 made submissions inter alia as under:

(i) The Noticee No. 58 was non-executive director on the Board of REL from February 11, 2011 to April, 2017.

(ii) The Noticee No. 58 would receive documents in relation to the Board meeting and minute of meetings on his e-mail id. He had knowledge of only matters which were tabled at meetings of the Board of REL by the statutory auditors or Board of RFL.

(iii) The Noticee No. 58 had acted diligently and in compliance with his fiduciary duties as a director of REL and was not party to any alleged violations by REL and/or its subsidiaries including RFL.

727. The SCN was delivered by SPAD on February 20,2021 to the Noticee No. 59 and reply to the same was filed vide letter dated March 22, 2021. In the interest of Justice, hearing opportunity was provided on September 14, 2021 vide notice of Hearing dated August 12,2021 which was delivered to Noticee No. 59 on August 16,2021. The Noticee No. 59 was duly represented by his authorized representative on the said date of hearing. The Noticee No. 59 vide the said letter made submissions *inter alia* as under:

(a) The Noticee No. 59 *held the post of Director in REL from January 2013 to September, 2017 and resigned w.e.f. September 29, 2017.The Noticee* No. 59 *was a non-executive director only on the board of REL.*

(b) REL was managed by a team of Professionals. The Board had 6 independent director having past experience in reputed organizations, including Govt. of India and Scheduled Banks. All the other Directors were more experience and Qualified on the matters which are subject matter of present investigation which primarily pertain to expert Financial Knowledge and Experience.

(c) The Audit Committee reviewed all financial reporting prior to the same being discussed in the Board meetings, the Audit Committee reports placed before BoD did not contain concerns on the matters now under investigations. The management of REL deliberately held back crucial information from the Board of Directors of REL on the financial irregularities.

(d) In October 2016 when the Board of REL was for the very first time informed of certain irregularities and the fraudulent conduct of Mr. Sunil Godhwani, wherein financial transactions made by him were reported to be without necessary approvals and due-diligence.

(e) None of these transactions were ever sanctioned by or reported to the Board of REL during the tenure of the Noticee's Directorship with REL. Neither was any prior approval obtained from the Board of REL. These transactions were conducted with fraudulent intent and without any notice or information to and without any knowledge of the BoD of REL.

(f) The transactions were done by RFL having its own management and BoD and the Noticee No. 59 *was neither member of BoD of RFL nor involved in day to day operation of RFL.*

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(g) No investment was made by REL in RFL during his tenure of directorship. Further, the FAR details information of the mode and period of such diversion funds, However, the FAR does not contain information as regards the allegation of diversion of funds from REL to RFL or any the related party expect the proposed approval for RCML Capitalization of Rs. 5000 crores which was not acted upon.

(h) The FAR primarily deals with the irregularities conducted by RFL and diversion of funds from RFL. As a member of BoD of REL, the Noticee No. 59 *was not tasked to investigate operation of RFL and to receive information on day to day affairs of RFL. Hence, no negligence can be attributed to the Noticee* No. 59.

(i) *The responsibility is being cast upon the Noticee* No. 59 *for negligence and non-application of diligence to discover fraud and misappropriation which could not be discovered by the experts and experienced officials, auditors and external agencies.*

C. *Consideration of Allegations, Replies and Submissions*

728. The Noticee Nos. 58 and 59 were non-executive director on board of REL from February 14, 2011 to April 12, 2017 and from January 24, 2013 to September 29, 2017 respectively.

729. In terms of section 149(12) of the Companies Act, 2013, a non-executive director not being an erstwhile promoter or key managerial personal, can only be held liable in respect of acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes and with his consent or connivance or where he had not acted diligently. Further, the role of the Noticee No. 58 and 59 has to be ascertained in line with the decision of the Hon'ble Supreme Court in Official Liquidator, Supreme Bank Ltd. vs P.A. Tendulkar (Dead) by Lrs. and Ors. [Supra}].

730. The Noticee Nos. 58 and 59 have been broadly charged for failure to discharge their duties as directors of REL in effective manner and to abide by principles governing disclosures and obligations. In this regard, it is observed that the Noticee Nos. 58 and 59 were neither part of loan approval matrix nor were on the board of RFL at any point of time. Further, they were also not part of RPT-SC of REL which approved certain diverted loans. They were also not part of Audit Committee of REL which in terms of Regulation 24(2) of the LODR Regulations, was tasked for reviewing the financial results and investments of material subsidiary of REL including RFL on quarterly basis.

731. The investigation notes that the details of the minutes of the RPT-SC of REL and RMC of RFL of investments/loans made by the company and its subsidiaries including RFL was regularly placed before the board of REL during the investigation period and the same contained details of the loans given to various borrowers and that the management as well as Board of REL placed undue reliance on the assurances of Mr. Sunil Ghodhwani and the promoters of the Religare group and in the process, failed to act in the best interest of the public shareholders of REL. On the basis of the same, the investigation notes that the Noticee Nos. 58 and 59 have failed to discharge their duties in a manner so 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.

732. I further note that the investigation has mentioned that Mrs. Sangeeta Talwar (indpendent director of REL from January 31, 2014 to July 28, 2017), Mr. Tejpreet Singh Chopra (indpendent director of REL from September 28, 2016 to January 30, 2018) and Mr. Deepak Ramchand Sabnani (indpendent director of REL from April 9, 2007 to May 18, 2018) were also part of the board of REL during the investigation period. However, from the investigation and the annual reports I note that the said three independent directors were neither part of the loan approving matrix nor were part of audit committee. Further, the extract of the investigation report has not mentioned a single whisper in respect of the role of the said three independent directors in the whole scheme of diversion of funds. I note that no enforcement proceedings have been initiated against the said three independent directors.

733. Similar to the aforesaid three independent directors namely Mrs. Sangeeta Talwar, Mr. Tejpreet Singh Chopra and Mr. Deepak Ramchand Sabnani, I note from the investigation and the annual reports that the Noticee Nos. 58 and 59 were neither part of the loan approving matrix nor were part of audit committee. Further, the extract of the investigation report has not mentioned a single whisper in respect of the role of the the Noticee Nos. 58 and 59 in the whole scheme of diversion of funds.

734. From the annual reports of REL for FY 2014-15, 2015-16 and 2016-17, I note that Mrs. Sangeeta Talwar, Mr. Tejpreet Singh Chopra and Mr. Deepak Ramchand Sabnani and the Noticee Nos. 58 and 59 have attended number of board meetings of REL as under:

Sr. No.	Name of Independent Director	Board Meetings attended in FY 2014-15	Board Meetings attended in FY 2015-16	Board Meetings attended in FY 2016-17
1	Mr. Ravi Umesh Mehrotra (Noticee No. 58)	0	4	6
2	Mr. Virendra Kumar Madan (Noticee No. 59)	4	4	6
3	Mrs. Sangeeta Talwar	4	4	6
4	Mr. Tejpreet Singh Chopra	0	0	3
5	Mr. Deepak Ramchand Sabnani	2	2	1

735. The Noticee Nos. 58 and 59 have been charged as they had attended the board meetings of REL wherein the minutes of the RPT-Sub committee of REL and Risk Management Committee of RFL of investments/ loans made by the company and its subsidiaries including RFL was regularly placed before the Board of REL during the investigation period. However, as noted above, Mrs. Sangeeta Talwar, Mr. Tejpreet Singh Chopra and Mr. Deepak Ramchand Sabnani had also attended board meetings similar to the Noticee Nos. 58 and 59. However, unlike the Noticee Nos. 58 and 59, enforcement proceedings have not been initiated against the said three independent directors. Had it been a case that the Noticee Nos. 58 and 59 were part of loan approval matrix or audit committee of REL, the situation would have been different. However, the fact remains that the Noticee Nos. 58 and 59 were neither part of loan approval matrix nor audit committee of REL. Therefore, the Noticee Nos. 58 and 59 and Mrs. Sangeeta Talwar, Mr. Tejpreet Singh Chopra and Mr. Deepak Ramchand Sabnani stand on the same footing. In this regard, I am inclined to refer to the Ld. SAT's order dated April 29, 2022 passed in ***the matter of Sulabh Engineers and Services Ltd.*** wherein at para 60 it was observed that:

> *"60. Considering the aforesaid, we are of the opinion that the case of these preferential allottees and the four noticees is required to be considered afresh.* ***The WTM is required to go into the trades executed by these preferential alottees and is required to consider as to whether the trades executed by these preferential allottees and the four noticees are similar to the trades executed by the 31 preferential entities who were exonerated. If the circumstances are similar then in our opinion these preferential allottees are required to be given similar benefit that was given to the 31 preferential allottees*****……"**

736. In the instant matter, Mrs. Sangeeta Talwar, Mr. Tejpreet Singh Chopra and Mr. Deepak Ramchand Sabnani who were independent directors of REL and were neither part of loan approving committee nor part of audit committee have not been made liable in respect of the whole scheme

of diversion of funds. Similar benefit has to be given to the Noticee Nos. 58 and 59 who were neither part of any loan approving committee nor part of audit committee of RFL.

737. In view of the above and that the Noticee Nos. 58-59 were not part of any loan process or any of the committees which approved loans/investment which led to diversion/mis-utilisation of funds of REL thorugh RFL or audit committee of REL, a benefit of doubt has to be given to the Noticee Nos. 58-59. Therefore, charges under the LODR Regulaitons agains the said noticees cannot withstand.

MR. PADAM NARAIN BAHL (NOTICEE NO. 60)

A. Sub and Substance of the Allegations

738. In the SCN qua Mr. Padam Narain Bahl (Noticee No. 60), it is alleged that:

(i) He played a role in the misrepresentation and no-disclosure of material information in the financials of RFL and consequently consolidated financials of REL. Thus, he is alleged to have violated Sections 12A Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3(b),(c) & (d), 4(1), 4(2)(f) and (r) of the PFUTP Regulations, 2003.

(ii) Further, for misrepresentation and no-disclosure of material information in the financials of RFL and consequently consolidated financials of REL, he is alleged to have violated Clauses 32 and 36 of the Listing Agreement, 49(I)(C)(1)(a) & (d); 49(VIII)(A)(1) of the Listing agreement (post circular dated April 17, 2014) read with Regulation 103 of LODR Regulations, 2015 and Section 21 of SCRA and Regulations 4(1)(a), (b), (c), (d), (g), (h), (i), (j), 30(1), 48, 51(1) and 53(f) of LODR Regulations, 2015.

(iii) As a director of REL he failed to discharge his duty in an effective manner and to abide by principles governing, disclosures and obligations, which was required in the best interests of the listed company and its shareholders. Therefore, it is alleged that the Noticee No. 47 has violated Clause 49(I)(D) of the Listing Agreement, 49(I)(D)(1)(b); 49(I)(D)(2)(f),49(I)(D)(3)(c),(f),(g),(i),(I), 49(II)(E)(2) of the Listing Agreement (post circular dated April 17, 2014) 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.

(iv) He failed to discharge his duties as a member of the Audit Committee of REL and thereby is alleged to have violated Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49(III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post circular dtd April 17, 2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015.

B. *Service of SCN and subsequent replies*

739. The SCN was delivered by SPAD on February 20,2021 and reply to the same was filed by Noticee No. 60 vide letter dated March 24, 2021. In the interest of Justice, hearing opportunity was provided on September 13, 2021 vide notice of Hearing dated August 12,2021 which was delivered to Noticee No. 60 on August 16,2021. The Noticee No. 60 filed reply dated September 13, 2021 and was duly represented by his authorized representative on the said date of hearing and requested to file additional submission which was acceded to. The Noticee No. 60 filed his additional submission vide e-mail dated September 22, 2021. The Noticee No. 60 vide the said letters and in the hearing, made submissions *inter alia* as under:

(a) As an Independent Director, the role of Noticee No. 60 was very limited and restricted in REL/RFL and his interface with the REL/RFL was through board meetings and he was not involved in day to day activities and management of REL/RFL.

(b) The Noticee No. 60 has contended that there is delay in issuance of SCN and has referred to various orders passed by the Hon'ble Securities Appellate Tribunal.

(c) Further, in respect of liability of an Independent Directors/Non-Executive Directors, the Noticee No. 60 has stated that he cannot be held liable and responsible for the alleged fraud perpetrated by the Erstwhile promoters and REL/RFL merely because he was independent director. In this regard, he has referred to decision of the Ld. SAT in Dr. Venkadasamy Venkataramanujan Vs. SEBI (Appeal No. 254 of 2019), G Unnikrishnan Nair Vs. SEBI (Appeal No. 5 of 2018) and Sayanti Sen Vs. SEBI (Appeal No. 163 of 2018).

(d) The impugned financial transactions, as referred to in the SCN, would inter alia, broadly pass through different layers, before being placed before the Independent Directors in the Board meetings or in the Audit Committee meetings and none of the Officials/Executives involved in different layers had raised any objections to the impugned financial transactions.

(e) The Statutory Auditors, did not raise any red flags at the relevant time.

(f) The Noticee relied on the experience, knowledge, and integrity of the various executives/officials/auditors/whole time directors, involved in the different layers regarding the impugned transactions, during the course of discussions etc. (on the proposals or matters relating to the same), in the board meetings. In this context, the Noticee has referred to the observations in the Order dated May 14, 2018 {Chintalapati Srinivas Raju & others vs SEBI-(2018) 7 SCC 443}, of the Hon'ble Supreme Court, wherein the Court has approvingly cited certain passages from Lords Halsbury's judgement in Dovey's case.

(g) As regards investment in NCDs of OSPL and BRNL, both companies belong to "Kanoria Group" which operates under the name of SREI Group of companies and has present in various sectors. Therefore, there was nothing to suspect the granted of loans to such entities.

(h) In the board meetings only consolidated figures pertaining to the total CLB were presented. The Noticee No. 60 was not aware of the individual entities to whom the loans were given (and the same was also of no concern, since the same had already underwent scrutiny and had been approved by the various Loan Approval Committees). Same would also be borne out by the minutes of the Board meetings/Audit Committee meetings. Further, from the minutes it would also be clear that the Board was consistently raising queries with regard to concerns raised by RBI and the erstwhile promoters /management were, inter alia, assuring the board that they were taking care of the same. In this regard, the Noticee has made reference to minutes of Audit Committee meeting held on May 26, 2016, June 28, 2017 and August 30, 2017 and Board Meeting dated November 13, 2017.

(i) The Annual Reports (as an Independent Director alongwith other Whole Time Director on behalf of the Board), since the law mandates that one of the Independent Directors of a listed company shall also sign the Annual Report. Therefore, while signing, the Noticee No. 60 had relied on other directors/officials (viz. Whole Time Director, CEO/CFO Certification etc.) who were intimately involved in the matters relating to Finance, Audit and Accounts, and were involved in day to day affairs and management of the Company, apart from the certification by the Statutory Auditors. Here, it may be appreciated that placing such reliance on other fellow directors/officials/ Statutory Auditors, is not something which is unusual. In any event, since the signing was on behalf of the Board of the Company, he cannot be singled out on this ground, for levelling allegations against him.

(j) The violation of PFUTP Regulations/LODR Regulations/Listing Agreement is a serious charge and there must be strong evidence for the same and allegations cannot be based on mere surmises and conjecture. In this regard, the Noticee No. 60 has referred to the decision

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of the Hon'ble Supreme Court in Varanasaya Sanskrit Vishwa Vidyalaya & Anr. Vs. Dr. Rajkishore Tripathi and Anr., Bank of India Vs. Degala Surya Narayana (AIR 1999 SC 2407), M.S.Bindra V Vol (1998) 7 SCC 310, Nandakishore Prasad Vs. State of Bihar (1978) 3 SCC 366, Union of India Vs. H.C. Goel (AIR 1964 SC 364), L.D. Jaisinghani Vs. Naraindas N Punjabi (1976) 1 SCC 354, Razikram Vs. J.S. Chauhan (AIR 1975 SC 667) and Gulabchand Vs. Kudilal (AIR 1966 SC 1734)

C. Consideration of Allegations, Replies and Submissions

740. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 60 and his replies/written submissions.

741. The Noticee No. 60 was an Independent Director of REL from April 9, 2007 to June 4, 2018 and Independent Director of RFL from March 26, 2007 to June 04, 2018.

742. The Noticee No. 60 has contended that there is delay in issuance of SCN. This contention is dealt in detail in Part III which deals with common contentions of the noticees.

743. The whole diversion of funds of REL through RFL occurred during directorship of the Noticee No. 60. He was part of Audit Committee of REL as well as RFL during his directorship in the said companies. In fact, in various Audit Committee meeting he was Chairperson. In the Audit Committee Meetings of RFL and in the Audit Committee Meetings of REL, the minutes of RPT-SC were noted. As already mentioned above, RMC and RPT-SC had approved various loans which were ultimately diverted to the erstwhile promoter group entities.

744. The Noticee No. 60 has stated that he relied on the experience, knowledge, and integrity of the various executives/officials/auditors/whole time directors, involved in the different layers regarding the impugned transactions, during the course of discussions etc. and contended that this reliance is not uncommon. In this regard, the Noticee No. 60 has referred to the order of the Hon'ble Supreme Court in Chintalapati Srinivas Raju matter (Supra). The said case law is not applicable to the Noticee No. 60 for the reason that the Noticee No. 60 was part of the Audit Committee of RFL which was tasked to review the Inter-Corporate loans and investments of RFL. The same is mentioned in the Audit Committee minutes submitted by the Noticee No. 60 himself. As a member of Audit Committee of RFL, the Noticee No. 60 was duty bound to look into the investments made

by RFL and loans extended by RFL to various entities and was not supposed to rely solely on the senior executives of RFL. If Noticee No. 60 as a member of Audit Committee had done proper due diligence in respect of loans granted by RFL to various borrower entities which ultimately led to diversion of funds, he would have come to know that the financial position of such borrowers was not sound in comparison to the loan granted by RFL.

745. The investment in NCDs of BRNL and OSPL were approved by LIBC. The minutes of meetings of LIBC and RMC were also placed before the Audit Committee of RFL wherein the Noticee No. 60 was a member and also participated in the meeting. In respect of investment in NCDs of BRNL and OSPL, the Noticee No. 60 has contended that there was nothing to suspect the said investments as the said companies belonged to 'Kanoria Group' which inter alia operate under the name of SREI Group. The investment in NCDs of BRNL was approved as it was a SREI backed entity and the investment in OSPL was approved as it had sufficient security in form of investment in shares of BRNL. However, the fact remains that the NCDs of BRNL and OSPL were unrated. Further, OSPL's investment in shares of BRNL formed 99.99% of its total asset and as on December 14, 2016 OSPL already had a long term borrowing of Rs. 195.16 Crores from SREI. Further, there was back to back arrangement as discussed elsewhere in the order between RFL and the said companies. Therefore, the OSPL's investment in shares of BRNL was not a sufficient security. Further, investment in NCDs of OSPL still remains unpaid and RFL has initiated Insolvency Proceedings under IBC for recovery of Rs. 200 Crores from OSPL. Therefore, the contention of the Noticee No. 60 that there was no suspicion in respect of approval of investments in NCDs of OSPL cannot be accepted.

746. Considering above, the orders of the Ld. SAT passed in the matters of the Ld. SAT in the matters of Dr. Venkadasamy Venkataramanujan (Supra), G Unnikrishnan Nair (Supra) and Sayanti Sen (Supra) referred to by the Noticee No. 60 in respect of liability of independent/non-executive director stands on different footing than the present matter. In the present matter, the Noticee No. 60 was part of Audit Committee of RFL as well as REL. As noted above, the Audit Committee of RFL was tasked to review the inter-corporate loans and investments made by RFL. Therefore, the Noticee No. 60 who was privy to the loans granted by RFL to various borrowers which ultimately led to diversion of funds to RHC Holding (wholly owned and controlled by Singh brothers).

747. The Noticee No. 60 also admit and is aware that the law requires at least one independent director to certify the annual report which itself shows onerous responsibility of independent director

in respect of certification of annual report to verify everything as an independent director is representative of investors. As noted above, the financial results and investments of the material subsidiary including RFL were required to be reviewed by the Audit Committee of REL on quarterly basis. This onus on the Noticee No. 60 further increases as he was an independent director on board of RFL and was also a member of Audit Committee of RFL. In view of the said facts and referring to the decision of the Hon'ble SAT in Kishore Hegde matter (Supra) (as already mentioned in the part relating to the Noticee No. 53 and appeal against the said order was dismissed by a three judge bench of the Hon'ble Supreme Court), the Noticee No. 60 cannot escape the liability in the matter by virtue of being a member of Audit Committee.

748. It is also contended by the Noticee No. 60 that the violation of PFUTP Regulations/LODR Regulations/Listing Agreement is a serious charge and there must be strong evidence for the same and allegations cannot be based on mere surmises and conjecture. In this regard, he has referred to the decision of the Hon'ble Supreme Court in Varanasaya Sanskrit Vishwa Vidyalaya & Anr. (Supra), Bank of India Vs. Deala Surya Narayana (Supra), M.S.Bindra (Supra), Nandakishore Prasad (Supra), Union of India Vs. H.C. Goel (Supra), L.D. Jaisinghani (Supra) 1 SCC 354, Razikram (Supra) and Gulabchand (Supra). The crux of the decision of the Hon'ble Supreme Court in the said matters is that the rules of natural justice requires that quasi-judicial authorities arrive at a conclusion on the basis of some evidence and standard of proof should be that of a person of prudence and mere suspicion or surmises and conjuctures are not sufficient to prove the matter.

749. In the instant matter, the role of the Noticee No. 60 as member of audit committee of REL and RFL is discussed in detail in aforesaid paras. The Noticee No. 60 has been charged for the securities violations not on the basis of surmises and conjuctures but by virtue of his involvement as Chairman of Audit Committee of REL which faced huge diversion of funds in its material subsidiary namely RFL. His role become more grave as he was member of Audit Committee of RFL and thus was required to look into the loans and investments by RFL. Hence, the contention of the Noticee No. 60 that there is no credible evidence to prove his charge and allegations are made on mere surmises and conjunctures merit no consideration.

750. In view of the aforesaid, the Noticee No. 60 failed to discharge his duty as an independent director and as a member of Audit Committee of REL.

751. It is also alleged in the SCN that the Financial Results did not show true picture. The Noticee No. 60 had certified the financial results of REL for FY 2014-15, 2015-16 and 2016-17. During the said financial years, there was grave mismanagement and mis-utilisation of funds of RFL which is a material subsidiary of REL as already explained above. As explained above, funds RFL were being granted to various entities which was not in normal course of business as the funds were being diverted to erstwhile promoter group entities. Further, repayment of various loans, which were diverted to erstwhile promoter group was actually facilitated out of funds of RFL itself. The said facilitation of repayment of earlier loans given by RFL by using the funds of RFL, was orchestarated in order to avoid the classification of loans as Non Performing Assets. This essentially led to misrepresentation in the financials of RFL. Consequently, the financial statement of REL also did not disclose the true picture. Therefore, the financial results of RFL did not give true picture and consequently, the financial results of REL also did not give true picture. The Noticee No. 60 by virtue of being member of audit committees of REL as well as REL should have been cautious and could not have simply certified the consolidated financial results of REL which also captured the financial results of RFL.

752. In view of the aforesaid, I conclude that the Noticee No. 60 had played a role in certifying the financial results of REL for FY 2014-15, 2015-16 and 2016-17 which did not give true picture as explained above. Hence, the Notciee No. 60 played a role in the misrepresentation and non-disclosure of material information in the financial of RFL including routing of funds through various borrower entities in a structured manner for benefit of the erstwhile promoters of REL. Consequently, he contributed to misrepresentation and non-disclosure of material information in the consolidated financials of REL.

MR. RAM KRISHNA SHETTY (NOTICEE NO. 61)

A. Sub and Substance of the Allegations

753. In the SCN qua Mr. Ram Krishna Shetty (Noticee No. 61), it is alleged that he failed to discharge his duties as a member of the Audit Committee of REL and thereby is alleged to have violated Clauses 49(II)(D)(1),(4),(5); 49(II)(E)(1)(2) of the Listing Agreement, Clauses 49(III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement {post circular dtd April 17, 2014} read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the

SCRA, 1956; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the SEBI (LODR) Regulations, 2015.

B. Service of SCN and subsequent replies

754. The SCN was delivered by SPAD on February 20,2021 and reply to the same was filed by Noticee No. 61 vide letter dated March 06, 2021. In the interest of Justice, vide notice of Hearing dated August 12,2021, hearing opportunity was provided on September 15, 2021. The Noticee No. 61 was duly represented by his authorized representative on the said date of hearing and requested to file additional submission which was acceded to. The Noticee No. 61 filed his additional submission vide e-mail/letter dated September 23, 2021. The Noticee No. 61 vide the said letters/replies and in the hearing made submissions *inter alia* as under:

(a) The Noticee No. 61 served as an Audit Committee Member of REL as an alternative director to Mr. JW Balani from April 20, 2007 to June 27, 2013 and thereafter as an independent director from July 31, 2013 to February 17, 2018.

(b) There are no specific allegations against Noticee No. 61 showing as to how and in what manner, he was responsible for the alleged failure to discharge his duties as a member of Audit Committee. The allegations against the Noticee are vague and unsubstantiated

(c) In the SCN and Investigation Report, Noticee No. 61 is individually held responsible for failure of Audit Committee to discharge its duties whereas the Audit Committee during Investigation Period always comprised of 3 members and worked as per its wisdom. The members of Audit Committee jointly functioned and performed oversight role in the financial reporting processes of company based on the information provided by management, auditors and experts.

(d) SEBI has absolved a member of Audit committee, Mr. Arun Ramanathan, from SCN on the rationale that he raised objections on CLB issue in the Audit Committee meeting. It is submitted that the members were not acting in their individual capacity but jointly as an Audit Committee. The Noticee No. 61 shall not be held personally accountable when issues were recorded in the Audit Committee minutes and SEBI stands satisfied with it in the case of another member of Audit Committee. The Noticee No. 61 stand on the same equal footing and should be equally treated as a member of Audit Committee.

(e) The Audit Committee relied upon the accuracy and completeness of information supplied by the management, officers of company and the auditors. The Audit Committee functioning

was premised on advice and information received through discussion with management and auditors.

(f) Further, as observed by SEBI in its Investigation Report, RFL had in place Loan and Investment Committee, RMC and RPT- Sub Committee to approve the transactions. The Noticee No. 61 was not part of any such committees and had no reason to doubt the functioning of such committees which were Board Committees.

(g) It was not possible for Audit Committee to have perceived that ultimate beneficiaries of loans given by RFL were erstwhile promoters. It is not the case that issues were red-flagged by loan approving committees, auditors etc., but still overlooked and/or reasonable steps were not taken by Audit Committee to address them.

C. Consideration of Allegations, Replies and Submissions

755. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 61 and his replies/written submissions.

756. The Noticee No. 61, as an independent director, acted as member of Audit Committee of REL from July 31, 2013 to February 17, 2018. Further, the Noticee No. 61 was independent director of RFL from March 31, 2015 to June 30, 2018.

757. The Noticee No. 61 has raised a contention that the allegations levelled against him are vague. This contention is dealt in detail in part III which deals with common contentions of the noticees.

758. The Noticee No. 61 has stated that SEBI has absolved Mr. Arun Ramanathan, who was also member of Audit Committee, on the rationale that he raised objections on CLB issue in the Audit Committee meeting and that the Noticee No. 61 cannot be held personally accountable when issues were recorded in the Audit Committee minutes and SEBI stands satisfied with it in the case of another member of the Audit Committee. In this regard, I note that the investigation does not absolve Mr. Arun Ramanathan only on the basis of the fact that he had raised concern in respect of proposal of Rs. 600 Crores loans placed before RPT-SC and rather absolve him on account of various red flags raised by him in respect of CLB book as mentioned in the extract of Investigation Report. Further, proposal for approval of Rs. 600 Crores loans to six entities was approved by RPT-SC on February 28, 2016 and the same was noted by RPT-SC in its meeting on May 27, 2016. The minutes

of meeting dated May 27, 2016 were placed before Audit Committee on May 27, 2016 wherein Mr. Arun Ramanathan was absent. Therefore, Mr. Arun Ramanthan had raised the concern in respect of Rs. 600 Crores loan proposal outside of the audit committee and not in Audit Committee meeting as claimed by the Noticee No. 61. In addition to that, Mr. Arun Ramanathan has also questioned CLB issue and certain specific loans for which he has submitted minutes of REL Board and Audit Committee meetings and has also submitted certain letter/e-mails whereby he had inter alia urged REL to take urgent steps to bring down CLB in light of RBI concerns. However, the Noticee No. 61 has not shown any such effort on his part.

759. In view of the aforesaid, the contention of the Noticee No. 61 that he and Mr. Arun Ramanathan stand on equal footing cannot be accepted.

760. The Noticee No. 61 has contended that as a member of Audit Committee he relied on the accuracy and completeness of information supplied by the management, officers of company and the auditors. In this regard, as noted above, the financial results of the material subsidiary including RFL were reviewed by the Audit Committee of REL on quarterly basis, in particular the investments made by such companies. As a member of Audit Committee, the Noticee No. 61 was not supposed to rely on the senior management and was required to exercise his independent judgment and due-diligence. As a member of Audit Committee of REL, the Noticee No. 61 was required to review the investment of RFL in NCDs of OSPL. Further, RPT-SC of REL had approved certain loans of RFL which were diverted/mis-utilised. The minutes of RPT-SC was noted in the Audit Committee of REL. As a member of Audit Committee of REL, the Noticee No. 61 was supposed to look into the said loans as to whether the said loans were given to entites having sound financial position or not. For instance, Mr. Arun Ramanathan had raised red flags in respect of Rs. 600 Crores loans to six entities approved by RPT-SC on February 28, 2016. However, the Noticee No. 61 has failed to show that he had also raised such red flags. Therefore, the Noticee No. 61 cannot escape from the liability in respect of diversion/mis-utilisation of funds of REL through RFL.

761. In view of the aforesaid, the Noticee No. 61 failed to discharge his duty as an independent director and as a member of Audit Committee.



MR. RUSSELL PARERA (NOTICE NO. 62) AND MR. PARTHA GHOSH (NOTICEE NO. 63)

A. Sum and Substance of Allegations

762. In the SCN, it is alleged that when misrepresentation of consolidated financial statements of REL took place, Mr. Partha Ghosh (Noticee No. 62) and Mr. Russell Parera (Noticee No. 63), as signatories of Price Waterhouse, certified that the audited consolidated financial statements of REL for the FYs 2014-15 and 2015-16 (audited financials for FY 2016-17 were qualified) were giving a true and fair view, without having reasonable basis for the opinion. In view of the same, the Noticee Nos. 62 and 63 have indirectly aided in misrepresentation and non-disclosure of material information and failed to comply with Code of Ethics and Standards of audit (SA) as prescribed by ICAI in SA 200, SA 240 as well as Guidance Note of Loans & Advances and therefore, allegedly violated the provisions of Sections 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1), 4(2)(f) and (r) of the PFUTP Regulations, 2003.

B. Service of SCN and subsequent replies

763. The SCN was delivered to Noticee Nos. 62 and 63 on February 20, 2021. On the request of the said noticees, opportunity to inspect documents was provided to the Noticee No. 62 on November 25, 2021 and to the Noticee No. 63 on December 10, 2021. On the said dates, the authorised representatives duly carried out inspection of the documents in the matter. Thereafter, the Noticee No. 62 and 63 vide letters dated December 23, 2022 and January 4, 2022, sought some additional documents. Thereafter, vide separate letters dated January 21, 2022, certain documents which are relevant to and relied on in the instant proceedings were provided the Noticee No. 62 and 63. Further, vide the said letters, it was also clarified that, the other documents sought by the Noticee No. 62 and 63 were not relied on in the SCN. The Noticee No. 62 and 63 filed their replies vide separate letters dated February 21, 2022. As per the request of the Noticee No. 62 and 63, a common hearing opportunity was provided to the said noticees on April 22, 2022 wherein the same authorised representative for the said noticees appeared through webex. Further, the Noticee Nos. 62 and 63 vide e-mail dated July 21, 2022 filed additional submissions. In the said hearing and in the replies/submissions, the Noticee Nos. 62 and 63 submitted as under:

(a) SEBI does not have the jurisdiction to proceed against the Noticee Nos. 62 and 63 as, it is settled position that SEBI may issue direction against CAs under the SEBI Act and the PFUTP Regulations only if there is material available on record to show mens rea or collusion

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on part of the CA in the alleged fraud. In this regard, the Noticee Nos. 62 and 63 have placed reliance on certain case laws.

(b) The charges as set out in the SCN and the extract of the Investigation Report can neither be brought against the Noticee No. 62 and 63 in their professional capacity as a CA nor can they be established.

(c) Since all the documents as requested for inspection by the Noticee No. 62 and 63 were not provided the inspection remains incomplete. SEBI is duty bond to provide all documents relevant to determination of the issues at hand and not just documents relied upon. In this regard, reliance has been made on the decision dated February 18, 2022 of the Hon'ble Supreme Court, in the case of T. Takano Vs. SEBI.

(d) The SCN is contradictory and vague. SCN is vitiated by delay and laches.

(e) In respect of role of an auditor, the Noticee No. 62 and 63 have referred to following case laws:

(i) Decision of the Hon'ble Bomaby High Court in Tri-sure India Ltd. Vs. A.F. Gerguson and Co. and others, 1985 SCC OnLine Bom 342

(ii) The decision of the Court of Appeals in Re Kingston Cotton Mill Company, 1892 2 Ch 279

(iii) Hon'ble SAT Order dated September 9, 2016 in PWC matter

(iv) Decision of the Hon'ble Calcutta High Court in Deputy Secretary to the Government of India, Ministry of Finance Vs. S.N.Das Gupta, AIR 1956 Cal 414

(f) Thus, the role of auditor is a watch-dog, but not a bloodhound. The role of Statutory Auditor and Forensic Auditor makes it apparent that a forensic audit is detailed with a view to unearth fraud and the statutory auditor is not expected to be adopt the said approach of the forensic auditor.

(g) As per SA 200, the objective of an audit of financial statements, prepared within a framework of recognised accounting policies and practices and relevant statutory requirements, if any, is to enable an auditor to express an opinion on such financial statements. SA 200, paragraph 4 provides that while the auditor is responsible for forming an expressing an opinion on the financial statements, the responsibility for their preparation is that of the management of the enterprise.

(h) Under SA 240, the primary responsibility for the prevention and detection of fraud and error rests with both those charged with the governance and the management of an entity.

(i) The auditor's opinion on the financial statement is based on the concept of obtaining reasonable assurances, the auditor is not an insurer and his or her report does not constitute a guarantee.

(j) The engagement team of auditors exercised due skill care:

(i) Performing audit procedures in accordance with relevant standards of audit;

(ii) Verified the CLB Loans/ICD related documents, including the MOUs entered into with various borrower entities and verified various parameters such as date of MOUs, rate of interest, loan amount vis a vis approval limits

(iii) Testing recoverability of these ICDs did not reveal that the same were overdue, and the ICDs were 'standard accounts' and not NPAs

(iv) The ICDs were short term in nature and were being repaid as demanded

(v) Interest was being regularly services and the amount could be reconciled with bank statements

(vi) Independent balance confirmations were circulated to parties and it was confirmed that the balance matched the books of accounts

(vii) ICDs were regularly discussed in audit committee meetings and findings of the audit were also presented in audit committee meetings

(viii) Management representation were provided that these loans were no prejudicial to the interest of the company or its members.

(ix) The engagement team circulated direct and independent confirmations for all ICD balances outstanding as at year end and received a positive response for all the company.

(k) Therefore, thre was no material on the basis of which any suspicion could be raised in respect of the CLB loans, especially considering that RFL had been providing such loans since past few years, the interest on these loans were regularly serviced and the was not history of repayment default. Repayment issues in respect of the said loans, Furthermore, in the normal course of a statutory audit, the engagement team did not have access to bank account statement of the borrower entities, in the absence of which, it was impossible to ascertain the end use of the loan amounts. Thus, considering the various audit procedures adopted by the engagement team, it is evident that the statutory audit was carried out with due diligence and reasonable care and the charge that the Noticee No. 62 and 63 failed to carry out their job as a statutory auditor of REL with professional diligence and care is completely unfounded.

(l) A bald statement has been made that, "Considering that red flags were raised by RBI much earlier than 2017..... Price Waterhous should have questioned the rationale behind grant of

CLB loans and level of commitment of REL and RFL in allaying tor RBI concers". The SCN and the extract of the Investigation Report fails to set out the exact 'Red Flags' and RBI letters have not been annexed to SCN. Without prejudice to the same, the Company had inter alia represented to RBI that it had strong corporate governance mechanism, the loans had never been classified as NPAs and the company would take steps to bring down the corporate loan book portfolio.

(m) The Noticee No. 63 was the audit engagement partner only for FYs 2011-12, 2012-13 and 2017-18. In SCN and the extract of the Investiation Report non of the transactions pertain to the FYs. 2011-2012 and 2012-13. Further, in connection with FY 2016-17, the Noticee No. 63 has already issued a qualified opinion on the financial statements of RFL and REL for the financial year ending March 31, 2017 and disclaimer of opinion on the internal financial controls over the financial reporting in relation to the process and internal control over Corporate Loan Book.

(n) As regards loans on FDs of RFL, the Noticee No. 63 submitted that from the confirmations on the fixed deposits provided by LVB, there was no indication provided by LVB on the fixed deposits of RFL being under any lien or otherwise being held as security for any advances made by LVB to any other party. Additionally, the Noticee No. 63 had also obtained representation from the management which indicated that the Company had a satisfactory title to all owned assets and there were no liens or encumbrances on the Company's assets, except for those disclosed in the Company's financial statements.

(o) The SCN fails to point the role of the Noticee No. 63 in respect to investment in NCD of OSPL and BRNL. The Noticee No. 63 was unaware of the back to back transactions involving the erstwhile promoter company of OSPL and BRNL and RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFLs as alleged by SEBI.

(p) The RBI concerns and RFL response do not support or further the allegations raised in the SCN against the Noticee No. 62.

C. <u>Consideration of Allegations, Replies and Submissions</u>

764. I have perused the allegations made in the SCN, extract of the Investigation report, FAR and the documentary evidences against the Noticee No. 62 & 63 and their replies/written submissions.

765. The Noticee Nos. 62 and 63 have raised a preliminary isue that the SCN is vague and the allegations against the said noticees are vague and lack details. The said noticees have further

raised contentions in respect of the inspection of documents and non-furnishing of all documents. These contentions have been dealt in detail in part III which deals with common contentions of the noticees.

766. I note that the Noticee Nos. 62 and 63 have contended that SEBI does not have jurisdiction against the said noticees for their professional misconduct. In this regard, I am inclined to refer to relevant para of the decision of the Hon'ble Bombay High Court in Price Waterhouse and Co. and Ors. VsSecurities and Exchange Board of India MANU/MH/1027/2010:

> *"17..... A reading of the said provisions discloses the scope and width of the powers vested with the SEBI to be exercised in the interest of investors and for regulating the securities market. The SEBI in its capacity as a Market Regulator can take any of the measures mentioned in sub-section (2) of Section 11 towards the said end. The said measures are only illustrative and not exhaustive and in a given case the SEBI considering the duty it is enjoined with may take such measures as it deems appropriate.* ***In our view, the words employed in the aforesaid provisions are of wide amplitude and would therefore take within its sweep a Chartered Accountant if his activities are detrimental to the interest of the investors or the securities market.***
>
> ....
>
> *25. .....* ***Looking to the provisions of the SEBI Act and the Regulations framed thereunder, in our view, it cannot be said that in a given case if there is material against any Chartered Accountant to the effect that he was instrumental in preparing false and fabricated accounts, the SEBI has absolutely no power to take any remedial or preventive measures in such a case. It cannot be said that the SEBI cannot give appropriate directions in safeguarding the interest of the investors of a listed Company. Whether such directions and orders are required to be issued or not is a matter of inquiry. In our view, the jurisdiction of SEBI would also depend upon the evidence which is available during such inquiry. It is true, as argued by the learned Counsel for the petitioners, that the SEBI cannot regulate the profession of Chartered Accountants. This proposition cannot be disputed in any manner. It is required to be noted that by taking remedial and preventive measures in the interest of investors and for regulating the securities market, if any steps are taken by the SEBI, it can never be said that it is regulating the profession of the Chartered Accountants. So far as listed Companies are concerned, the SEBI has all the powers under the Act and the Regulations to take all remedial and protective measures to safeguard the interest of investors and securities market. ..... If it is unearthed during inquiry before SEBI that a particular Chartered Accountant in connivance and in collusion with the Officers/Directors of the Company has concocted false accounts, in our view, there is no reason as to why to protect the interests of investors and regulate the securities market, such a person cannot be prevented from dealing with the auditing of such a public listed Company. In our view, the SEBI has got inherent powers to take all ancillary steps to safeguard the interest of investors and securities market. The powers conferred under various provisions of the Act are wide enough to cover such an eventuality and it cannot be***

given any restrictive meaning as suggested by the learned Counsel for the petitioners. It is the statutory duty of the SEBI to see that the interests of the investors are protected and remedial and preventive measures are required to be taken in this behalf. It is required to be noted that in the instant case the inquiry is still pending and ultimately the decision is required to be taken by SEBI on the basis of available evidence on record. *However, in order to determine the jurisdiction of SEBI, the contents of the show cause notice which is the first step of initiating proceedings are required to be seen. Reading the contents of the show cause notices and the relevant statutory provisions, it cannot be said that the SEBI has no jurisdiction at all to enquire into the affairs of the petitioners in so far as it relate to Satyam. In the case of Government contracts, the Government is entitled to blacklist a particular tenderer with a view to see that such a tenderer is not allowed to participate in the future tenders the same is done by following appropriate procedure in that behalf. In our view, it cannot be said that the show cause notices issued by SEBI are, on the face of it, not sustainable on the ground that the SEBI has no jurisdiction to enter into the affairs of the petitioners or that it lacks jurisdiction to go into such questions.*

.....

27..... ***By initiating the proceedings, it cannot be said that the SEBI is encroaching upon the rights of the Institute or prohibiting a Chartered Accountant from practicing as a Chartered Accountant. It is natural that SEBI has no power to pass an order prohibiting a particular Chartered Accountant from practicing as a Chartered Accountant or cannot debar a Chartered Accountant from practicing as Chartered Accountant but SEBI can definitely take regulatory measures under the SEBI Act in the matter of safeguarding the interest of the investors and securities market and in order to achieve the same, it can take appropriate remedial steps which may include keeping a person including a Chartered Accountant at a safe distance from the securities market. SEBI can always take preventive as well as remedial measures in this behalf. Exercising such powers, therefore, cannot be said to be in any way in conflict with the powers of the Institute under the CA Act. If ultimately any decision is taken by debarring any particular person from auditing the books of a listed company, such direction can always be said to be within the powers of SEBI and that is in the aid of regulating the affairs in connection with the investors interests and the interest of the securities market. By exercising such powers, it cannot be said that the SEBI is trying to regulate the profession of Chartered Accountants in any manner and in that view of the matter, in our view, it can never be said that it is in conflict with Section 24 of the CA Act.***

.....

39..... ***Whether any of the petitioners with an intention and knowledge tried to fabricate and fudge the books of accounts is a matter of investigation and inquiry by the SEBI. Ultimately if any evidence in this behalf is brought on record before the SEBI during the inquiry, appropriate steps can be taken in this behalf as provided for by the SEBI Act.*** *.....* ***SEBI being a quasi judicial authority, while adjudicating the matter, will look into this aspect and will consider as to whether any particular firm of Chartered Accountants has any role to play or for that reason any of the petitioners had played any role in any manner they may bring the matter to the notice of the SEBI. .... If there is available evidence, SEBI can proceed further in the matter of giving direction against a particular Chartered***

***Accountant as envisaged by Sections 11 and 12 of the SEBI Act and Regulations in this behalf**. On the basis of detailed evidence on record, this aspect is required to be considered by SEBI. The question of jurisdictional fact depends upon the facts which may be available at the time of evidence before the SEBI. SEBI will have to answer the question as to whether on the basis of evidence on record, it has any power to give directions as provided under the SEBI Act. This aspect will depend upon the evidence which may be available at the time of inquiry. All these aspects are therefore left to the consideration of SEBI at the time of passing final order in the inquiry.*

.....

40……. By this judgment, we have only indicated that on the face of it, it cannot be said that SEBI has absolutely no jurisdiction to issue show cause notices against the petitioners simply because they are professionals and whether the facts stated in the show cause notice are correct or not may be adjudicated as per the evidence available, after affording reasonable opportunity of hearing to the petitioners"

767. I note that the aforesaid judgment of the Hon'ble Bombay High Court has not been appealed before the Hon'ble Supreme Court. Therefore, the said decision is settled law in respect of jurisdiction of SEBI over CAs. In view of the aforesaid decision of the Hon'ble Bombay High Court it is amply clear that SEBI has jurisdiction over CAs if the actions of CAs are detrimental to the interest of the investors. The aforesaid decision clearly demarcates the jurisdiction of SEBI over CAs by providing that if CAs were instrumental in fabrication of books of accounts of a company and had connived with the officers/directors of the company in that regard, then SEBI has all the powers to take action against CAs. Therefore, the contention of the Noticee Nos. 62 and 63 in respect of the jurisdiction of SEBI against them has no merit consideration. Therefore, SEBI is empowered to take action against professional misconduct of CAs if the CAs had acted in fraudulent manner which was detrimental to the interest of the investors and were instrumental in fabrication of books of accounts. Therefore, in the current adjudication proceedings it has to be ascertained as to what was the actual role of the Noticee No. 62 and 63 in misrepresentation of books of accounts of REL.

768. I note that Prive Waterhouse was the statutory auditor of REL for the FYs 2011-12, 2012-13, 2013-14, 2014-15 2015-16 and FY 2016-17. The Noticee Nos. 62 and 63, were the signatories on behalf of Price Waterhouse of audited financial statements of REL. As mentioned in the extract of the investigation report and in the annual report of REL, the Noticee No. 63 on behalf of PWC has admittedly given qualified opinion for FY 2016-17 on the basis of RBI letter dated January 27, 2016. I note that the Noticee No. 63 was signatory on behalf of Price Waterhouse for FYs 2011-12, 2012-13 and 2016-17, however, the extract of the Investigation Report does not bring out any

diversion/mis-utilisation of funds for the FYs 2011-12 and 2012-13. In respect of FY 2016-17, I note that the investigation has mentioned various loans granted by RFL to various entities which were diverted for the benefit of RHC Holding (wholly owned and controlled by Singh brothers). As noted above, the Noticee No. 63 had already given qualified opinion for the FY 2016-17. I also note that the diversion of money of REL through RFL's FDs held with LVB took place in November, 2016 which falls in FY 2016-17. For the said FY 2016-17, as already stated in the extract of Investigation Report, Price Waterhouse represented by the Noticee No. 63 gave qualified certification of financials of REL. Moreover, as contended by the Noticee No. 63 and discussed at the part relating to the Noticee No. 20, the balance confirmation issued by LVB does not qualify or indicate any lien or charge on the FDs of RFL which were used for granting loans to RHC Holding and Ranchem by LVB. Hence, misrepresentation and non-disclosure of the diversion of funds of REL due to mis-utilisation of RFL's FDs with LVB, cannot be attributed to the Noticee Nos. 62 and 63. Apart from diversion of funds through FDs, investment by RFL in NCDs of OSPL and BRNL also led to diversion of funds during FY 2016-17 in which regard the Noticee No 63 has already provided a qualified opinion in the audit report.

769. In view of the above, the allegatios levelled against the Noticee No. 63 in the SCN for violation of PFUTP regulations in respect of certifying the unaudited consolidated financial statements of REL does not stand established.

770. As regards the Noticee No. 62, as noted above, during his tenure as statutory auditor of RFL (FYs 2014-15 and 2015-16), various loans granted by RFL to various entities were either diverted to RHC Holding (wholly owned and controlled by Singh borther) i.e erstwhile promoters of RFL or were misutilised for repayment of earlier loans. Therefore, his role in respect of misrepresentation and non-disclosure of material information for FYs 2014-15 and 2015-16 is to be assessed.

771. I note that in the extract of the Investigation Report it is mentioned that, considering that the red flags were raised by RBI much earlier than 2017, Price Waterhouse should have questioned the rationale behind grant of CLB loans and level of commitment of REL and RFL in allaying to RBI concerns and that had Price Waterhouse checked and qualified the consolidated financials of REL earlier than when it did in FY 2016-17, much of the mismanagement and diversion of funds could have been averted. Hence, the extract of the Investigation Report observes that Price Waterhouse failed to carry out its job as a Statutory Auditor of REL with professional diligence and care as

required and expected. At page 76 of extract of the Investigation Report it is mentioned that RBI vide its various letters raised the following concerns w.r.t. CLB:

- 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.
- Loans were sanctioned to multiple companies within the same group ignoring the cross-holding and common directors within the borrower companies. An independent analysis of shareholding pattern of Top borrowers done by RBI found that they were related entities and there was also inter-linkegas between the borrowers.
- Accounts of various other borrowers were used to route funds to the group companies.
- 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.
- Corporate Loan Policy also reflect on the lack of corporate governance in the vital segment of corporate governance as the same did not specify the criteria for lending i.e. financial status of the borrower.

772. In order to understand the scope of role of the Noticee No. 62 as a statutory auditor, reference is made to the observation of the Hon'ble Bombay High Court *in Tri-sure India Ltd. Vs. A.F. Gerguson and Co. and others, MANU/MH/0012/1987:*

> *"46. On consideration of the authorities cited at the Bar, the principles which can be carved out are as follows:*
> *The auditor is required to employ reasonable skill and care, but he is not required to begin with suspicion and to proceed in the manner of trying to detect a fraud or a lie, unless some information has reached which excites suspicion or ought to excite suspicion in a professional man of reasonable competence. An auditor's duty is to see what the state of the company's affairs actually is, and whether it is reflected truly in the accounts of the company, upon which the balance-sheet and the profit and loss accounts are based, but he is not required to perform the functions of a detective. What is reasonable care and skill must depend upon the circumstances of each case. Where there is nothing to excite suspicion and there is an atmosphere of complete confidence, based on the record of continued success in financial matters, less care and less severity of scrutiny may be considered reasonable.* ***Whereas reasonable care and skill may be regarded as not exercised when, in spite of the presence of unusual features in the accounts or other prima facie reasons for believing that the affairs of the company may not be in order, the examination is perfunctory and not sufficiently detailed. One major aspect while***

determining the question of reasonable care and skill is whether the auditor was justified in relying upon the statements of the director or the managing director, and that again must depend on the circumstances of each case and on the nature of the subject- matter which requires explanation. Whether the subject is one which requires explanation. Whether the subject is one which is not capable of direct verification and when to verify properly the result presented in the balancesheet, it would require investigation rather than checking and where there is nothing at all to excite suspicion and in relying upon the statement of the management, the auditor himself is deceived, then he will not held to have failed in the discharge of his duties. In judging whether an auditor exercises reasonable care and skill, it would not appropriate to proceed on matters which have subsequently transpired, but one must place oneself in the position of the auditor as when the accounts were audited and find out how the matters appeared for ought to have appeared to a man of reasonable care and skill. Bearing in mind these principles, it would now be appropriate to ascertain whether the defendants were guilty of negligence or have failed to discharge their duties properly."

773. In the instant matter, the investigation makes allegations against auditors only on the basis that the auditors did not make any adverse/qualified opinion before concerns were raised by RBI vide letter dated January 27, 2017. In the whole Investigation Report, nowhere it is exactly mentioned as to on what basis the auditors were expected to provide adverse opinion on the financials of RFL/REL particularly when RBI raised concerns in respect of FY 2014-15 only in 2016-17. It is noted from the extract of the investigation report that the first instance of diversion is of FY 2014-15 and nothing has been recorded prior to the same. The auditors are not the part of the management of a company and are independent of the management. Therefore, in order to prove the role of statutory auditors, their involvement in the alleged misrepresentation of financial statement has to be specifically brought out.

774. In this connection with the allegations made against the auditors, I note from the WTM order dated January 10, 2018, passed in the matter of Price Watehouse & Ors. relating to the case of Satyam Computers Services Ltd., which was partly upheld by Ld. SAT vide order dated September 9, 2019, that the factual matrix of the allegations as brought out in the investigation had revealed various specific instances such as relying on statements provided by company and not following up with banks in complete disregard of AAS prescribed by ICAI, not carrying out any reconciliation between invoices in Oracle Financials and Invoice Management System to detect any mismatch which was incidentally pointed out by the Internal Auditors, failure to perform the basic audit function of ensuring adequate external confirmations of debtor balances from the debtors in question, etc. in order establish the involvement of the auditors in the fabrication of books of accounts of Satyam. I

note that even though the issue of extent of liability of auditors in Satyam matter is pending before the Hon'ble Supreme Court, I am conscious of the same and refer the said order dated January 10, 2018 only to substantiate how the allegations were articulated in the said matter against auditors. In the instant matter the investigation has not brought out such specific involvement of the Noticee Nos. 62 and 63 in the misrepresentation of the financial statements of RFL/REL nor brought out any documentary evidences.

775. It is also pertinent to refer to the order dated August 26, 2021 of the Ld. Adjudicating Officer in respect of Mr. Rashim Tandon in the matter of Fortis Healthcare Ltd.:

> *"25..... As already discussed in details in the preceding paragraphs, the statutory provisions as well as the relevant judicial dicta on the subject recognizes the inherent limitation of an audit process in case senior management of the company willfully suppresses material facts from the auditor and/or employs a cleverly devised fraud with respect to the financial status of the company. The relevant standards of auditing and the relevant judicial pronouncements do not hold the auditors liable or responsible for a fraud perpetrated by the management of a company if it can be established that the auditor(s) had not colluded/connived with the management in the perpetration of the fraud..... "*

776. The allegation in the extract of the investigation report is that, RBI had observed that there was 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, loans were sanctioned to multiple companies having common directors within the borrower companies, bank accounts of various other borrowers were used to route funds to the group companies etc. In this connection, the task of the statutory auditors does not extend to investigating into the alleged mis-use or round tripping of the funds by borrower companies. Further, the auditors are not empowered to seek bank statements of the borrower entities to which the company is lending the money. However, the directors/officials who are sanctioning the loans are empowered to seek the details of specific purpose of loan, end use of money supported by the bank statements, auditor certificate from the borrower entities, details of end use of the loans, etc.

777. The other concerns raised by RBI which have been relied upon in the investigation to level the PFUTP charges against the auditors are that, 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 and that the Corporate Loan Policy did not specify the criteria for lending which the auditors failed to raise concerns. In this connection, the Noticee Nos.62

& 63 have claimed that during the said FYs 2014-15 & 2015-16, the loans were regularly repaid by the borrowers and there was no indication of default, hence, they had no suspicioun over the said loans even though the same were un-secured loans. Futher, there is no allegation against the Noticee No.62 & 63 on wrong classification of loans in the audited financials of the REL/RFL.

778. I also note that, the Hon'ble Bombay High Court in Price Watehouse Vs. SEBI (Supra) inter alia observed that in order to bring the Chartered Accountant under the SEBI's power, it needs to be established that there is sufficient evidence available against the auditors of the company to impose penalty for violation of the securities laws. In the instant matter, the investigation has not brought on any material on record to level the charges against the Noticee Nos. 62 and 63 nor established any evidence to show that the auditors have committed any fraudulent activity which leads to violation of the PFUTP Regulations. In fact, the investigation report has noted that the auditors had given qualified opinion on the financials of REL for the FY 2016-17 and thereafter, only the alleged fraudulent activities came in the public domain. Therefore, I am unable to find any direct or circumstantial evidence or preponderance of probability to uphold the charge against the Noticee No. 62 and 63 in the matter.

III. APPRECIATION OF COMMON CONTENTIONS RAISED BY THE NOTICEES

779. The Noticee No. 3 and some of the other noticees have raised objection on delay in initiation of proceedings in the instant matter. In this regard, I note that even though the investigation covers the transaction period between April 1, 2011 to March 31, 2018, I note that the last impugned loan transactions covered under the present SCN took place in the year 2017. SEBI received complaints during January and February 2018 against REL and RFL for the alleged illegal diversion of money of REL through RFL to the entities owned by the erstwhile promoters of REL/RFL. This was the first instance the alleged irregularities in the matter came to the notice of SEBI. After preliminary examination of the matter, in view of the large number of entities, fund transactions and voluminous data to be analysed in the matter, on May 10, 2018, SEBI appointed MSA as forensic auditor to examine the alleged diversion of funds from REL and its subsidiaries for the benefit of erstwhile promoters and connected entities. Based on the findings in the FAR, an ex parte Interim Order dated March 14, 2019 was passed. Subsequently, pending investigation, the Confirmatory Order dated September 11, 2019 was passed on the basis of replies and personal hearing before Whole Time Member. Thereafter, SEBI completed the investigation in October, 2020 and the report of the same was placed before the competent authority along with recommended action on October 8,

2020 on which date the competent authority gave approval to the investigation report and the actions proposed therein. Therefore, the knowledge of the alleged violations in the instant matter came to the knowledge of the competent authority of SEBI only on October 8, 2020 and thereafter, AO was appointed on January 6, 2021 and SCN was issued on February 15, 2021. In this regard, reference is made to order dated September 23, 2014 of the Hon'ble Delhi High Court passed in *SRG Infotech Ltd. & Ors. Vs. SEBI 2014 SCC OnLine Del 1684: (2015) 217 DLT 771*, dismissing the petition of SRG Infotech Ltd. against a criminal complaint of SEBI on account of delay. In the said order, the Hon'ble Delhi HC held that:

> *"Thus it was only after* ***the investigation report had been submitted to the Board and approved that the Board was authorized to file a complaint. Counting the period of one year as stipulated under Section 468(2) of the Cr.P.C. w.e.f. 09.10.2003, the impugned order dated 08.4.2004 taking cognizance of the offence on the present complaint is not time barred. The question of limitation is accordingly answered in favour of the respondent****".*

780. The case laws cited by the noticees in respect of delay in issuance of SCN indicate that in the absence of any limitation period in the SEBI Act, the action shall be initiated within reasonable time. Considering the aforesaid case law decided by the Hon'ble Delhi High Court and peculiar complex set of facts and transactions involved in the instant matter, I note that there is no delay on the part of SEBI in initiating the adjudication proceedings against the noticees in the SCN as the action was initiated within reasonable time from the date of knowledge to the competent authority. Hence, the case laws cited by the noticees on delay aspect are not discussed individually to differentiate them from the instant matter as in the instant matter the action has been initiated by SEBI within reasonable time.

781. The Noticee No. 9 and some other borrower/conduit noticees have contended that the some of the entities who were mentioned in FAR have not been made noticees in the current proceedings. In this regard, I note that the scope of the current proceedings is to inquire and adjudge the allegations levelled against the 63 noticees. I also note that apart from the present adjudication proceeding, there is another proceeding under section 11B of SEBI Act in the matter wherein some of the entities are covered. Therefore, this is not the appropriate forum to raise the said contention. The said borrower/conduit noticees have also not pointed any specific such entity which played similar role than that of the other noticees but are not charged by the investigation wherein specifi names were referred, the same were distinguished at the respective parts above. I note that all the

entities which had cross transactions with the said borrower/conduit entities, which led to diversion/mis-utilisation of funds of REL through RFL, are also noticees either in this proceedings or in the 11B proceedings.

782. It is also contended by some of the noticees that the Forensic Audit and investigation is incomplete and SCN is vague and does not make specific averments against them. In this regard, I note that the instant proceedings have been initiated in respect of the whole scheme of diversion of funds of REL through RFL and its consequent impact on the mirepresentation of the financial results of REL. The extract of the Investigation Report as well as FAR gives instances of the diversion and mis-utilisation of funds. Further, the extract of the Investigation Report also provide details of audit committee, directors of RFL/REL, loan approving matrix etc. Further, board resolutions, detail of loan proposals, ledger details etc. were provided to all the noticees. The extract of the investigation report wherein the complete analysis of transactions, role, examination of documents etc relating to all the 63 Noticees herein and the Forensic Audit Report along with its annexures are made as part and parcel of the investigation report. By virtue of doctrine of incorporation, the entire sent of documents and material annexed with the SCN becomes part and parcel of the SCN. Futher, the SCN refers to the clear allegations against the noticees in following manner:

(i) At para 7(vii) of the SCN, it is *inter alia* alleged that the along with Singh brothers, RHC Holding, ANR Securitis, RCSL and LVB, borrower and conduit entities (Noticee Nos. 1-43) and Noticee No. 57 were observed to be part of a fraudulent and deceptive device wherein they acted in a fraudulent manner which led to diversion of funds of REL through RFL for the ultimate benefit of RHC Holding and in turn MMS and SMS, as well as misrepresentation. The details of the transactions, routing of funds to the promoter entities and involvement of the borrower and conduit entities (Noticee Nos. 1-43) in the chain of transactions are mentioned in the extract of the Investigation Report and FAR. Further, the extract of Investigation Report clearly mentions that the Noticee No. 57 was Director-finance and official functionary of RHC Holding and also explains the role played by the Noticee No. 57 in diversion of funds by mis-utilising the FDs of RFL for loans from the then LVB.

(ii) At para 7(viii) of the SCN, specific allegations have been made against the persons approving the relevant loans of RFL as well directors of RFL for acting without adequate due diligence and care.

(iii) At para 7(ix) of the SCN, specific allegations have been made against persons who certified the consolidated financials of REL during the investigation period.

(iv) At para 7(x) of the SCN, specific allegations have been made against the persons gave CEO/CFO certification to the Annual Reports of REL during the investigation period.

(v) At para 7(xi), specific allegations have been made in respect of failure of the non-independent/independent directors of REL to abide by principles governing disclosures and obligations as prescribed with respect to listed companies.

(vi) At para 7(xii), specific allegations have been made in respect of failure of members of Audit Committee of REL in discharging their duties.

(vii) At para 7(xiii), specific allegations have been made in respect of statutory auditors who certified that the audited consolidated financial statements of REL for the FYs 2014-15 and 2015-16 were free of material misstatement and gave an unqualified opinion that the said financial statements were giving a true and fair view, without having reasonable basis for the opinion.

783. Various case laws have been cited by the noticees such as the decision of the Hon'ble Supreme Court in *Gorkha Security Services (Supra)* and *Canara Bank Vs. Debasis Das (Supra)* and orders of Ld. SAT *in the matters of Swaranganga Trading Private ltd. (Supra) and M.G. Capital Services Ltd. (Supra).* The crux of the ratio derived from the said case laws is that SCN is the foundation of any proceedings and it must bring out clearly the charge against the person to whom it is issued. In the instant matter, the SCN clearly gives a brief detail about the whole scheme of diversion and mis-utilisation of funds of REL and RFL and the same is discussed in detail in the extract of the Investigation Report. As mentioned above, the SCN specifically mention the allegations against all the noticees and further, the details of involvement and activities of the noticees in diversion of funds is also explained in the extract of the Investigation Report and FAR which provides for all the transactions which led to diversion/mis-utilisation of funds of REL through RFL. The extract of the Investigation Report further provides for the details of members of Audit Committee, loan approving committees etc. Hence, the contention of the noticees that the SCN was vague merit no consideration.

784. Some of the noticees have raised contention that the documents provided were inadequate or incomplete documents were provided or that the complete investigation report was not provided. In this regard, reference is made to the Judgment dated September 14, 2022 of the Hon'ble Supreme Court in Special Leave Petition (Civil) No. 15149 of 2021 Mr. Kavi Arora Vs. SEBI, wherein

in respect of the 11B proceedings initiated in the matter arising out of same cause of action as in the instant matter, Mr. Kavi Arora had sought certain more documents. In the said matter, the Hon'ble Supreme Court while dismissing the said SLP held that:

> *"49. It is well settled that the documents which are not relied upon by the Authority need not be supplied as held in Natwar Singh (supra)...*
>
> *50.....The documents relied upon for formation of opinion under Rule 3, are not required to be disclosed to the notice unless relied upon in the inquiry. In the event, the Petitioner is prejudiced by reason of any adverse order, based on any materials not supplied to the Petitioner, or any prejudice is demonstrated to have been caused to the Petitioner, it would be open to the Petitioner to approach the appropriate forum."*

785. In the instant matter, in terms of order dated February 18, 2022 of the Hon'ble Supreme Court in *T.Takano Vs. SEBI (Supra)* and in line with the aforesaid decision of the Hon'ble Surpeme Court in *Kavi Arora Vs. SEBI* (Supra), all the documents relevant to and also referred in the current adjudication proceedings namely extract of investigation report containing analysis of fund movements, involvement of all the noticees etc., complete FAR with annexures, bank statements, ledger details, board resolutions, email correspondences, letters etc. were provided to all the noticees. Further, the noticees who sought inspection were duly provided. As regards contentions raised by some of the noticees that complete investigation report was not provided, I note that my predecessor while issuing SCN dated February 15, 2021 had taken all the relevant and the relied on parts relating to all the 63 noticees as extract of the investigation report and supplied the same along with all the annexures, documents, board resolutions, e-mails, letters, etc. relied, referred and discussed in the extract of the investigation report including FAR and its complete annexures, bank statements etc. Every noticee in this proceeding has been supplied entire set of documents not only pertaining to the respective noticees but also pertaining to all other noticees in the proceedings which are the materials based on which the names of the Noticees were included in the investigation and actions thereon against them were approved by the competent authority. The SCN dated February 15, 2021 clearly indicates the list of the documents supplied to the noticees. The contentions of the some of the noticees that some of the persons were not issued with the SCN itself shows that all the material relating to the 63 noticees were provided to them.

786. In addition to the above, during the proceedings whoever raised contention that they did not receive some of the documents were also again provided with the documents sought either in hard copies and/or soft copies in CD or through e-mail. Therefore, the principles laid down by the Hon'ble

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Supreme Court in *T.Takano Vs. SEBI (Supra) and Kavi Arora Vs. SEBI (Supra)* have been duly followed and the contention of the noticees in respect of inadequate or incomplete documents has no merit. Since the recent decision of the Hon'ble Supreme Court in *T Takano (Supra)* and *Kavi Arora (Supra)* in respect of documents to be supplied by SEBI in quasi-judicial proceedings and ratio of the said cases have been followed in the instant matter, the reliance placed by some of the noticees on the decision of the Hon'ble Supreme Court in *V.K Sasikala (Supra) and SEBI Vs. Price Waterhous & Co. (Supra)* and orders of Ld. SAT in Smitaben N Shah (Supra), Price Waterhouse (Supra) etc. may not be relevant as in the present matter as explained above all the relevant and relied upon documents relating to all the 63 noticees are provided to them which meets the principles of natural justice.

787. Some of the noticees have contended that the transactions were normal business and financial transactions in the usual course of business which does not come under jurisdiction of SEBI. In this connection, from analysis of the whole scheme of diversion of funds and role of respective borrower/conduit entities, I note that the total amount of alleged diversion of funds of REL through RFL (those loans which are outstanding as on May 31, 2018, are tabulated under:

Sr. No.	Borrower Noticees from which the loan is outstanding to RFL as on May 31, 2018 and from which funds were ultimately utilised for benefit of RHC Holding	Principal loan o/s as on May 31, 2018 INR (In Crores)	Funds diverted for the ultimate benefit of RHC Holding, wholly owned and controlled by Singh brothers (In Crores)
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00
2	Ad Advertising Pvt. Ltd.	100.00	100.00
3	Artifice Properties Pvt. Ltd.	165.00	133.48
4	Best Health Management	40.00	115.00
5	Devera Developers	40.00	
6	Vitoba Realtors	35.00	
7	Fern Healthcare Pvt. Ltd.	150.00	125.00
8	Modland Wears Pvt. Ltd.	155.00	3.00
			10.00
9	Rosestar Marketing Pvt. Ltd.	150.00	150.00
10	Star Artworks Pvt. Ltd.	150.00	150.00
11	Tripoli Investment & Trading Co.	150.00	150.00
12	Volga Management and Consultancy Pvt. Ltd.	150.00	125.00
13	Zolton Properties Pvt. Ltd.	160.00	150.00

			10.00
14	A&A Capital	100	46.25
15	Gurudev Financial Services Private Limited	100	42.8
16	Tara Alloys Limited	85	44
17	Sridham Distributors Private Limited	92.40	15
18	Religare Comtrade Limited (REL Group Company)	125	75
	Total	**2046.7**	**1544.53**

788. The SCN also alleges that whole scheme of diversion/mis-utilisation also led to mis-utilisation of funds of Rs. 343.25 Crores of RFL which was utilised for repayment of loans taken from RFL itslef. In this regard, from the material available on record it is observed that, outstanding loans which were mis-utilised for repayment of earlier loans are as tabulated under:

Sr. No.	**Borrower Noticees from which the loan is outstanding to RFL as on May 31, 2018**	**Entities which utilised the amount either for repayment of loan from RFL or interest payment on loan taken from RFL**	**Amount of Utilisation INR (in crores)**
1	Artifice Properties Pvt. Ltd.	Utilised by A&A Capital for repayment of earlier loan (25+2.50)	27.5
2	Fern Healthcare Pvt. Ltd.	utilised by Rosestar, Modlan and Zolton for making interest payment to RFL	18.27
		Utilised by Torus for making interest payment to RFL	6.73
3	Modland Wears Pvt. Ltd.	Utilised by Torus, Tripoli, Rexcin, Fern and Rosestar making interest payment to RFL	17.38
		Utilised by Annies Apparel for repayment of earlier loans taken from RFL (51+36.7)	87.7
4	Platinum Infrastructure Pvt. Ltd	Utilised by Platinum for repayment of interest	9.3
5	Volga Management and Consultancy Pvt. Ltd.	Utilised by Artifice, Best Health Management, Devera, Tripoli & Vitoba making interest payment to RFL	17.17

		Utilised by Volga for making interest payment to RFL	5.72
6	Torus Buildcon Private Limited	Utilised by Fern for making interest payment to RFL	5
7	A&A Capital	Utilised by Gurudev for repayment of earlier loans taken from RFL	43.75
8	Gurudev Financial Services Private Limited	Utilised by Symphony and Spinstar for repayment of earlier loans taken from RFL	56
9	Tara Alloys Limited	Utilised by Yashodham for repayment of earlier loan taken from RFL (25+1)	26
		Utilised by Nikhil Holding for repayment of earlier loans taken from RFL	15
10	Sridham Distributors Private Limited	Utilised by Neelanchal for repayment of earlier loans taken from RFL	66.40
		Utilised by Nishu for repayment of earlier loans taken from RFL	11
11	Annies Apparel Pvt. Ltd.	Utilised by Nishu Finlease and Spinstar for repayment of earlier loan taken from RFL	75
	Total		487.92

789. Apart from the diversion/mis-utilisation of CLB, FDs of RFL held with LVB were used for granting loans to RHC Holding and Ranchem which led to diversion of funds to a tune of Rs. 729.13 Crores to RHC Holding (owned and controlled by Singh brothers) (the same is discussed in detail part relating to DBIL (noticee no. 20)). Further, a back to back arrangement between RFL and SREI which led to diversion of funds of Rs. 200 Crores to RHC Holding (owned and controlled by Singh brothers) (the same is discussed in detail part relating to OSPL, BRNL and SREI).

790. Thus, the total diversion of funds of RFL is tabulated under:

Sr. No.	Particulars	Loan amount (Rs. in Crores)
1	FDs with LVB	729.13

2	Loan to OSPL	200
3	Loans to Group 1-2	1469.53
4	Loans to REL Group Entities	75.00
	Total	2473.66

791. In view of the aforesaid, a whole scheme of diversion of funds of RFL was orchestrated whereby a total amount of Rs. 2473.66 Crores of RFL was utilised for the ultimate benefit of RHC Holding (wholly owned and controlled by Singh brothers) and Rs. 487.92 Crores was mis-utilised for repayment of earlier loans or interest on earlier loans taken from RFL itself.

792. The details of the transactions and diversion in which the borrower/conduit noticees were involved have alredy been discussed in detail in the earlier portion of this order in the respective parts of the said noticees. Further, the contentions of the said noticees have also been discussed in detail in the respective sections of the said noticees. Among the said noticees, none of the noticees, who appeared for hearing and/or have filed reply, have denied the transactions. Infact all the said noticees have contended that the said transactions are in normal course of business. However, from the detailed appreciation of facts, I have noted a pattern in respect of the loans granted by RFL that:

(i) All the noticees to whom loans were granted and from whom loans were diverted/mis-utilised had negative/negligible networth, poor financial postions, and indulged in round tipping of funds.

(ii) When the loans are granted by RFL on the very same day, the said loans taken from RFL are either ultimately transferred to RHC Holding or are utilised for repayment of earlier loans taken from RFL which were syphoned off to the RHC Holding (wholly owned or controlled by Singh brothers) or were mis-utilised for repayment of other earlier loans taken from RFL.

(iii) In various cases, the loans granted by RFL were ultimately utilised by the borrower noticees for repayment of earlier loans to evade and avoid regours of classification of the loan as Non Performing Asset.

(iv) The borrower/conduit noticees who have appeared before me failed to produce any cogent document which justifies that the transaction in which the said entities were involved were genuine.

(v) Some of the borrower/conduit noticees have produced MoUs contending that the transactions were genunine loans. However, in all the said MoUs only one party is mentioned

and there is mismatch/gap of multiple months between issuance of the stamp paper on which MoU is entered and the date of loan. This shows that the stamp papers might have been purchased before the granting of loan for some other purpose and thereafter, to cover up the diversion the said MoUs might have been entered into.

(vi) Some borrower noticees have provided the end use certificate. In this regard, as already noted above, the end use certificates provided by some of the borrower noticees simply mentions that the loan was utilised for *"Working Capital requirement/General Corporate Purposes"*. Further, there is no third party document to justify/corroborate the said end use certificates. The end use certificates to Artifice, Zolton, Fern, Modalnd and Star Artwork have been issued by same CA. All these factors prove that the "end use certificate" is nothing but an afterthought to cover up the whole scheme of diversion of funds of RFL, hence, the same cannot be relied upon.

(vii) Despite borrower's weak financials, no lien or security was taken and majority of the loans were unsecured. Further, the secured loans were also subsequently converted to unsecured loans.

793. The aforesaid analysis clearly shows that the loans granted by RFL to various borrower entities are not genuine financial transactions in the normal course of lending business by an NBFC and were part of the huge scheme of diversion/mis-utilisaiton of funds of REL through RFL for the ultimate benefit of RHC Holding which is wholly owned and controlled by Singh brothers.

794. Some of the noticees have contended that SEBI has no jurisdiction in the instant matter which comes under the purview of RBI as RFL is an NBFC and not a listed company. The noticees have also contended that Section 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulation 3(b), (c) & (d) and 4(1) of the PFUTP Regulations, 2003 are not applicable in the present matter as there is no dealing in securities and no attributes of fraud involved in the transactions.

795. In this regard, I note that Section 12A(b) and (c) of SEBI Act and Regulation 3 (c) and (d) of the PFUTP Regulations, 2003 provides as under:

> *"**Section 12A of SEBI Act.***
>
> *No person shall directly or indirectly*
>
> *(d) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or*

deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(e) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(f) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

*"**Regulation 3 of the PFUTP Regulations***

Prohibition of certain dealings in securities
No person shall directly or indirectly—

(e) .....;

(f) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(g) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(h) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."

796. The aforesaid provisions prohibit any person from (i) employing any device, scheme or artifice to defraud, or/and (ii) engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange.

797. I also 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."

798. The aforesaid Regulation 4(1) of the PFUTP Regulations, 2003 prohibits all manipulative, fraudulent or unfair trade practice relating to securities market. In order to ascertain the scope and ambit of Regulation 4(1), it may be noted from 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 listed company, in my view leads 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'.

799. In the instant matter, I note that the act of diversion of funds of a total amount of Rs. 2473.66 Crores of RFL as calculated herein above, for the ultimate benefit of RHC Holding, wholly owned by Singh brothers i.e. erstwhile promoters of REL/RFL, and mis-utilisation of funds of Rs. 487.92 Crores for repayment of earlier loans or interest on earlier loans taken from RFL itself, gave a false picture to public in respect of the business affairs of RFL and consequently also impact on the financial results of REL.

800. Some of the noticees have referred to the decision of the Hon'ble Supreme Court in the matter Kanaiyaal Baldevbhai Patel (Supra) and have inter alia contended that the charges of fraud cannot be established unless there is an element of inducement which have not been proved in the instant matter. In this regard, it is imperative to refer to the following interpretation provided by the Justice (Retd.) Ranjan Gogoi, in the matter Kanaiyaal Baldevbhai Patel (Supra):

> *"6. The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive,* ***contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'.*** *The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce".*
>
> *8. A person can be said to have induced another person to act in a particular way or not to act in a particular way if on the basis of facts and statements made by the first person the second person commits an act or omits to perform any particular act.* ***The test to determine whether the second person had been induced to act in the manner he did or not to act in the manner that he proposed, is whether but for the representation of the facts made by the first person, the latter would not have acted in the manner he did.*** *This is also how the word inducement is understood in criminal law. The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present.* ***In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.*** *"*

801. Further, in the matter of *Kanaiyaal Baldevbhai Patel (Supra),* Justice (Retd.) N.V. Ramana, in respect of the scope of definition of fraud under the PFUTP Regulations, held as under:

> *"27. On a comparative analysis of the definition of "fraud" as existing in the 1995 regulation and the subsequent amendments in the 2003 regulations, it can be seen that the original definition of "fraud" under the FUTP regulation, 1995 adopts the definition of "fraud" from the Indian Contract Act, 1872 whereas the subsequent definition in the 2003 regulation is a variation of the same and does not adopt the strict definition of "fraud" as present under the Indian Contract Act.* ***It includes many situations which may not be a "fraud" under the Contract Act or the 1995 regulation, but nevertheless amounts to a "fraud" under the 2003 regulation.*** *"*

802. In the instant matter, the elaborate scheme was orchestrated in order to utilise the funds of a material subsidiary of a listed company for the benefit of the erstwhile promoters. All the noticees in the instant proceedings are well aware that RFL is NBFC, wholly owned by REL and that REL is also a listed company and its shares are traded on the stock exchanges. The information regarding this elaborate scheme of diversion/mis-utilisation of funds was never disclosed to the investors of REL. Further, the diverted loans which were shown as repaid were actually repaid out of the funds indirectly received from RFL itself. The loans of RFL were being utilised for repayment of earlier loans in order to avoid the classification of the earlier loans as NPA which led to mis-representation of financial results. Contrary to the same, the financial statements of RFL gave a picture that RFL is conducting its business in normal course and loans were being repaid, which was not correct as loans were being given by RFL which were either diverted to erstwhile promoter group entities or were used for repayment of earlier loans which were being diverted to erstwhile promoter group entities. This essentially led to misrepresentation in the financials of RFL. Consequently, the consolidated financials of REL also were misrepresented.

803. I note that as on March 31, 2018, REL was holding 85.64% shareholding in RFL which contributed to 96.3% of the consolidated net worth of REL and 57% of the consolidated revenues of REL. Therefore, the impact of financial representation in the financials of RFL on the consolidated financials of REL is huge and grave. Thus, the whole scheme of diversion/mis-utilisation of funds was devised in such a complex manner that the shareholders of REL were kept in dark regarding the operations and financial health of REL. Had the said whole scheme of diversion of funds of RFL were disclosed in public, the same would have adversely impacted the price of the securities of REL. Therefore, in terms of principles laid down by the Hon'ble Supreme Court in the matter of *Kanaiyaal Baldevbhai Patel (Supra)*, the whole scheme of diversion/mis-utilisation of funds operated as fraud/deceit on the investors dealing in securities of REL and induced them to remain invested in the securities of REL. Hence, Section 12A(b) and (c) of the SEBI Act and Regulaton 3(c) and (d) of the PFUTP Regulaitons would apply in the instant matter.

804. Further, in the instant case, funds were diverted from a material subsidiary 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 misled 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.

805. I note that the whole diversion of funds of RFL which is wholly owned subsidiary of REL has hugely impacted the investors of REL which is a listed company. Further, diversion of multiple thousands of crores in a material subsidiary of a listed company which not only has direct impact on the decision making of the investors of REL but also has huge impact on the price of the shares of REL in which multiple thousands of investors are affected. The very object of SEBI Act, 1992 is to protect the interest of the investors in the securities market and any fraudulent diversion of the funds of the listed company directly or indirectly affects the interest of the investors. Hence, such fraudulent actions also fall under vigors of the PFUTP Regulaitons as explained above. Therefore, the contention of the noticees that the PFUTP Regulations are not attracted in the matter has no merit.

806. Various noticees have referred to various case laws including Mitesh Kumar J Shah Vs. State of Karnataka & Ors. etc. which pertain to criminal law and have contended that the element of mens rea has not been proved. The said case laws are not relevant and applicable in the instant proceeds which are civil in nature. In this connection, I note that Hon'ble Supreme Court in The Chairman, SEBI vs. Shriram Mutual Fund and Ors. AIR 2006 SC 2287 inter alia held that in the civil proceedings like in the nature of the present proceedings mens rea is not relevant and if there is a violation of the provisions of law, the penalty follows. Furthermore, as held by the Hon'ble Supreme Court in the matter of Kanaiyaal Baldevbhai Patel (Supra), in civil proceedings a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. In the instant matter, as explained above, the elaborate fraudulent scheme of diversion funds clearly infers the fraudlent intent of the noticees which induced the investors to remain invested in the securities of REL.

IV. FINDINGS ON THE ROLE AND VIOLTIONS COMMITTED BY THE NOTICEES

Role of the Noticee Nos. 3-19, 21-29 and 31-43 (borrower/conduit entities), Noticee Nos. 44-47 and 49-53 (directors who were part of approval matrix) and the Noticee No. 57.

807. As discussed in the previous part of my order the role of each of the Noticee Nos. 1, 3, to 19, 21 to 29 and 31- 43 is that being borrower and/or conduit entities they aided and abetted the promoters of REL for diversions of money of REL through RFL under guise of loan transactions. Further, as discussed above the transactions were not genuine loan transactions and the same was used to round trip the funds and ultimately divert the funds to RHC Holding an entity wholly owned and controlled by Singh brothers and in few cases were used for repayment of earlier loans. Further, the contentions of the said noticees have also been discussed in detail in the respective sections of the said noticees. Among the said noticees, none of the noticees, who have appeared for hearing and/or have filed reply, have denied the transactions. Therefore, the said the Noticee Nos. 1, 3 to 19 and 21 to 43 have violated Section 12A(b) and (c) of the SEBI Act, 1992 r/w Regulations 3(c) and (d) and 4(1) of the PFUTP Regulations and thereby liable for penalty under section 15HA of the SEBI Act, 1992.

808. The findings in respect of the Noticee No.20 i.e, LVB/DBIL have already given at the respective part relating to the said notice.

809. The Noticee Nos. 44 to 47, 50, 52 and 53 being directors of REL and/or RFL and the Noticee No. 49 being CFO of RFL were part of the committees of REL and/or RFL which approved the loans are as under:

Sr. No.	Directors who were part of approval committee(s) of REL/RFL.	Designation and Membership	No. Board Meetings Attended (Apart from attending committee meetings)
1	Mr. Sunil Kumar Garg (Noticee No. 44)	Member of loan approving committees of RFL	RFL: FY 2014-15: 5 out of 5 in FY 2015-16 4 out of 7 in FY 2016-17
2	Mr. Maninder Singh (Noticee No. 45)	Member of loan approving committees of RFL Group CEO of REL from March 22, 2017 to November 14, 2017 and member of RPT-SC of REL	RFL: 2 out of 7 in FY 2016-17

3	Mr. Daljit Singh (Noticee No. 46)	Member of LIBC which approved investments in NCDs of BRNL and OSPL	RFL: 2 out of 7 in FY 2016-17
4	Mr. Avinash Chander Mahajan (Noticee No. 47)	Member of loan approving committees of RFL Member of RPT-SC of REL	RFL: 2 out of 7 in FY 2016-17 REL: 4 out of 4 in FY 2014-15 4 out of 4 in FY 2015-16 6 out of 6 in FY 2016-17
5	Mr. Bipin Kabra (Noticee No. 49)	Chief Financial Officer of RFL Member of loan approving committees of RFL	Not Applicable as not a director in RFL, but his role is crucial by virtue of him being CFO of RFL
6	Mr. Nalin Nayyar (Noticee No. 50)	Interim CEO of REL from October 26, 2016 to March 22, 2017 Member of loan approving committees of RFL	RFL: 1 out of 7 in FY 2016-17
7	Mr. Harpal Singh (Noticee No. 52)	Member of RPT-SC of REL	REL: 2 out of 4 in FY 2014-15 4 out of 4 in FY 2015-16 6 out of 6 in FY 2016-17
8	Mr. Rashi Dhir (Noticee No. 53)	Chairman & Member of RPT-SC of REL	REL: 1 out of 7 in FY 2016-17 And two in FY 2017-18 before leaving REL in Nov 2017.

810. In respect of involvement of the aforesaid Noticee Nos. 44-47 and 49-53, reference is made to the order dated March 7, 2022 passed by the Hon'ble SAT in *Soumen Ghosh Vs. SEBI (Appeal No. 171/2020)*, wherein in respect of the liability of director it was held that:

> *"6. .....This aspect was duly considered by the WTM who found that the appellants were directors of the Company and their role as directors cast a responsibility to be aware of the affairs of the Company and that the appellants had sufficient understanding of the business and affairs of the Company.* ***It was further found that the appellants were qualified professionals and should have taken due care and caution while taking up the profession of a Director in a Company and cannot feign ignorance contending that they were not aware of the affairs of the Company nor can they place the entire blame on Shri Subrata Adhikary.***
>
> *7. Having heard the learned counsel for the parties, we are of the opinion that the decision of the Supreme Court in* ***Official Liquidator v. P.A. Tendolkar, [(1973) 1 SCC 602]*** *is squarely applicable in the instant case wherein the Supreme Court held:-*
> *"It is certainly a question of fact, to be determined upon the evidence in each case, whether a Director, alleged to be liable for misfeasance, had acted reasonably as well as honestly and*

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

8. In view of the aforesaid decision a director who is closely connected and associated with the management of the Company would be deemed liable for the fraud in the conduct of the business of a Company. Thus, it is irrelevant for this Tribunal to go into the issue as to whether any personal benefit was derived by the appellants in the scheme floated by the Company."

811. The aforesaid Noticee Nos. 44 to 47, 50, 52 and 53 being members of the approaval committees of REL and/or RFL as well as directors of REL and/or RFL and the Noticee No. 49 while approving the said loans were expected to carry out due diligence and also exercise independent judgment. The contentions and role of the said noticees has already been discussed in detail in the respective parts relating to the said noticees. Various noticees who approved loans have taken a plea that the diversion took place at 3rd or 4th layer and that proper due diligence was done. In this connection, I note that:

a) No due diligence of financials of the borrower company and w.r.t fraud control as required for loans was done.
b) Upon perusal of the financial records of the borrower entities, it is observed that most of the borrower companies had negative/negligble networth and most of them had operational losses in their books.
c) Despite borrower's weak financials, no lien or security was taken and most of the loans were unsecured. Further, the secured loans were also subsequently converted to unsecured loans.
d) Corporate CIBIL reports of the some of the borrower companies were not scrutinised and taken into consideration.
e) W.r.t borrower entity Platinum, the said entity had not started business at the time of approving the loan.
f) No due diligence was carried out about the repayment capacity of the borrowers.

g) In the minutes of certain Committee meetings of RFL, it had been mentioned that the proposed loans were not fresh corporate loans under CLB books but were merely roll over of existing loans/CPs. This is in complete disregard to the RBI's directive to reduce the CLB exposure to such companies. Despite the same, the loans were hastly sanctioned and disbursed.

h) In most of the cases, the funds are diverted/mis-utilised on same day when loans are approved.

812. The investigation notes that RBI vide various letters had raised following concerns in respect CLB of RFL:

- 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.
- Loans were sanctioned to multiple companies within the same group ignoring the cross-holding and common directors within the borrower companies. An independent analysis of shareholding pattern of Top borrowers done by RBI found that they were related entities and there was also inter-linkegas between the borrowers.
- Accounts of various other borrowers were used to route funds to the group companies.
- 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.
- Corporate Loan Policy also reflect on the lack of corporate governance in the vital segment of corporate governance as the same did not specify the criteria for lending i.e. financial status of the borrower.

813. In respect of the aforesaid RBI concerns, the noticees have contended that the senior management of RFL/REL had given assurances that various steps will be taken in respect of the concerns raised by RBI. However, while approving the loans to various entities, the concerned individuals/directors were not supposed to rely on the assurances of the management and were duty bound to exercise their independent judgment and due-diligence before approving loans particularly when RBI had been repeatedly raising the aforesaid concerns. The loans were approved to financially weaker entities and the majority of loans were diverted/mis-utilised on very same day of granting approvals and the loans were being regularly granted without giving any heed to RBI

concerns. All these prove that the many of the noticees were involved and had knowledge about the whole scheme of diversion/mis-utilisation of funds of RFL. Otherwise why would individuals holding position of directors would approve crores of loans to entities having weaker financial credentials without asking any questions or conducting any due diligence. When an individual is put in a position as of a director, he is expected to be due diligent and cautious about his decisions. In the instant matter, some of the directors of REL and/or RFL were specifically tasked to approve loans granted by RFL and while performing such task they are not supposed to be mere spectators for approving the loans without giving any thought to financial condition of the borrower. It appears that the only aspect considered by the individuals who approved loans was that the entities had vintage relationship with RFL which is not a sufficient due diligence. Even a prudent man would exercise a basic due diligence as to whether the borrower has strong financial footing or capacity to repay the loan, purpose for which loans are applied, verify the loans were used for purpose for which the same was sanctioned etc. In view of the same, various contentions raised such as diversion happened at 3rd or 4th layer, due-diligence was done in respect of loans, assurances were given by senior management to allay with the concerns of RBI, etc. cannot be accepted.

814. I note that generally in the financial market, no lender including NBFCs would lend or extend any financial assistance to the entities or companies which have negative/negligible net worth without any security to cover the loan. While sanctioning the loans most of the lenders particularly the institutional lenders follow the lending formulae namely debt-equity ratio, security coverage ratio, capital adequacy ratio and such other relevant ratios depending on the sectors to decide whether to lend or not, what quantum to lend, plan/source of repayment, personal guarantee/surety of persons/directors having sound networth etc. However, in the present case the manner in which the diverted/mis-utilised loans were processed, approved and disbursed to the borrowers by the senior level/qualified directors and officials of both RFL and REL, that too multiple hundreds of crores not to one or two borrowers but to more than 20 borrowers without considering minimum/basic loan process requirements and safeguards, is shocking. Hence, in my view such things could happen only when there is an ulterior motive of the promoters to siphon off the money for which some of the noticees, who were part of loan approval process of REL and/or RFL, aided and abetted Singh brothers by failing to exercise their duties. The said actions led to complete erosion of networth of the REL (through RFL) which is a public listed company in which multiple thousands of investors' interest was affected.

815. The directors including independent directors and senior level officials of RFL/REL were placed in the position of trustees of the company and its shareholders. However, the noticees herein who were directors and senior officials of the company misused the position and breached the confidence reposed by the shareholders, by allowing and facilitating the promoters to divert the money by approving/sanctioning various loans without adhereing to the financial protocols and/or without taking proper securities for due repayment of the loans.

816. In view of the aforesaid and considering the role of the Noticee Nos. 44-47, 49, 50, 52 and 53 as already discussed elaborately, and applying the principle envisaged by the Hon'ble Supreme Court in P.A Tendolkar matter (Supra) and Hon'ble SAT in the matter of Soumen Ghosh (Supra), I conclude that the said noticees have aided the borrower/conduit entites and erstwhile promoters of REL/RFL in diversion/mis-utilisation of funds of RFL. I further note that the role of the Noticee No. 49 (Mr. Bipin Kabra) is also equally grave in nature, as being a CFO of RFL for FYs- 2014-15, 2015-16 and 2016-17 and member of loan approving committee of RFL, the Noticee No. 49 was at helm of the affairs of RFL and was an integral part of senior management of RFL.

817. As regards the Noticee No. 57 (Mr. Hemant Dhingra), I note that his contentions and his role in fraudulent diversion of funds of REL through RFL for benefit of RHC Holding, wholly owned and controlled by Singh brothers i.e. erstwhile promoters of REL/RFL, has already been discussed in detail in this order in respective part of the said noticee. In view of the role as already discussed and applying the principle of preponderance of probabilities, the Noticee No. 57 has also aided the erstwhile promoters of REL/RFL in diversion of funds in respect of fraudulent use of FDs of RFL.

818. In case of violation of securities laws, it is settled law that the test for proving such violations is the one of "preponderance of probabilities" as held by the Hon'ble Supreme Court vide its order dated February 23, 2016 passed in Civil Appeal No. 2818 of 2008 titled Securities and Exchange Board of India Vs. Kishore R. Ajmera. The relevant observation of the Hon'ble Supreme Court in the said case is quoted below:

> *"Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt."*

819. Applying the aforesaid principles to the facts and circumstances of the instant matter as elaborately discussed above, I conclude that the Noticee Nos. 3 to 19 and 21 to 43 (which acted as borrower/conduit entities), Noticee Nos. 44 to 47, 49, 50, 52 and 53 (who were part of loan approval matrix) and the Noticee No. 57, were part of an elaborate scheme of diversion of funds of REL through RFL which also led to misrepresentation to the investors at large and hence, have violated the provisions of Section 12A (b) and (c) of the SEBI Act, 1992 read with Regulation 3 (c) and (d) and 4(1) of the PFUTP Regulations, 2003.

Role of the Noticee Nos. 51 and 60 in respect of signing of the consolidated financial statements of REL

820. As regards the allegations against the Noticee Nos. 51 who signed the consolidated financial statements of FY 2014-15 of REL, I note that the Noticee No. 51 was the group CEO of REL in FY 2014-15. The role and various contentions of the Noticee Nos. 51 have already been discussed in detail in part relating to the said noticee. I note that the Noticee No. 51 was Group CEO of REL until his resignation from REL in June 2016. Being in such a position he cannot casually sign the consolidated financial reports of REL he has raised various red flags as discussed in part relating to the Noticee No. 51. As already explained above, the consolidated financials of REL were misrepresented and a material information regarding the whole scheme of diversion of funds was never disclosed to public.

821. Further, in respect of allegation against the Noticee No. 60 who signed the consolidated financial statements of FY 2014-15, 2015-16 and 2016-17 of REL, I note that the Noticee No. 60 was Chairman of audit committee of REL and member of audit committee of RFL for FY 2014-15, 2015-16 and 2016-17. The roles and various contentions of the Noticee No. 60 have already been discussed in detail in part relating to the said noticee. Being in such a position he cannot casually sign the consolidated financial reports of REL particularly when the Noticee No. 60 was Chairman of Audit Committee of REL which was tasked to review the financial results of RFL particularly its investments. As already explained above, the consolidated financials of REL were misrepresented and a material information regarding the whole scheme of diversion of funds was never disclosed to public.



822. For the aforesaid signing of the consolidated financial reports of REL, the Noticee Nos. 51 and 60 have been alleged to have violated Clauses 32 and 36 of the Listing agreement, Clauses 49(I)(C)(1)(a) & (d); 49(VIII)(A)(1) of the Listing agreement {post circular dated April 17, 2014} read with Regulation 103 of the LODR Regulations, 2015 and Section 21 of the SCRA,1956 and Regulations 4(1)(a), (b),(c),(d),(g),(h),(i),(j), 30(1), 48, 51(1) and 53(f) of LODR Regulations, 2015. On perusal of the said provisions, I note that the same cast obligation on the listed company and not on the director and/or CEO of the company. Therefore, the said provisions cannot be invoked against the Noticee Nos. 51 and 60. Further, as regards violation of Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulation 3 (b), (c) and (d), 4(1), 4(2)(f) and 4(2)(r) of the PFUTP Regulations, 2003 levelled against the Noticee Nos. 51 and 60, for the reasons referred at part relating to the Noticee No. 51, a benefit of doubt has been given to him. Further, I note from the extract of investigation report that the Noticee No. 60 was not part of loan sanctioning committee or sanctioned any of the diverted loans and no PFUTP charges were levelled against him for the same. Consequently, no penalty is levied on the noticee Nos. 51 & 60 for the said violations.

Role of the Noticee Nos. 45 and 51 in giving CEO/CFO certification in the Annual Report of REL

823. The Noticee No. 45 had given CEO certification for FY- 2016-17, certifying that the "the financials of REL presented true and fair view of its affairs and not containing any misleading statement". I have already dealt with the contentions and the role of the said noticee in detail in part relating to the Noticee No. 45. As explained above, in the FY 2016-17, loans were granted which were diverted to promoter group entities or were utilised for repayment of earlier loans. Further, as discussed above, the same led to the financial misrepresentation and therefore, the statements of REL did not represent true and fair picture of the consolidated financial position of REL. Hence, the CEO Certification given by the Noticee Nos. 45 was not true, thereby the Noticee No. 45 violated Regulation 17(8) and 33(2)(a) of the LODR Regulations, 2015. Accordingly, he is liable for penalty under section 15HB of SEBI Act.

824. The Noticee No. 51 had given CEO certification for FY 2014-15, certifying that the "the financials of REL presented true and fair view of its affairs and not containing any misleading statement". I have already dealt with the contention and the role of the said noticee in detail in part relating to the Noticee No. 51. As already explained above, the statements of REL did not represent true and fair picture of the consolidated financial position of REL. While certifying and giving the

CEO certification to the financials of REL, the Noticee No. 51 ought to have been cautious particularly when he had raised concerns in respect of CLB of RFL and should have resisted himself from unqualified CEO certification, thereby, the Noticee No. 51 violated Clause 49(V) (prior to Circular dated April 13, 2014) and Clause 49(IX) (prior to Circular dated April 13, 2014) of the Listing Agreement r/w Regulation 103 of the LODR Regulations, 2015. Accordingly, he is liable for penalty under section 23H of SCRA and section15HB of SEBI Act.

Role of the Noticee Nos. 47, 52, 53 and 60 in failing to discharge their duties as directors in an effective manner

825. The provisions of Clause 49(I)(D) of the Listing Agreement, Clauses 49(I)(D)(1)(b); 49(I)(D)(2)(f), 49(I)(D)(3)(c),(f),(g),(i),(l), 49(II)(E)(2) of the Listing Agreement (post circular dated April 17, 2014) read with Regulation 103 of the LODR Regulations 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 *inter alia* provides that:

> *The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.*
>
> *The board should fulfil certain key functions, including Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.*
>
> *Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.*
>
> *The Board should apply high ethical standards. It should take into account the interests of stakeholders*
>
> *The Board should be able to exercise objective independent judgement on corporate affairs*
>
> *The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the company to excessive risk.*
>
> *Board members should be able to commit themselves effectively to their responsibilities.*

The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.

All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.

826. The Noticee No. 47 was member of RMC of RFL as well as member of RPT-SC of REL and the Noticee Nos. 52 and 53 were member of RPT-SC. The said noticees had approved various loans which were diverted to the erstwhile promoter group entities of REL/RFL or were mis-utilised for repayment of earlier loans taken from RFL itself. Such sanctioning of loans to the related parties in a casual and hasty manner without insisting any financial protocols itself shows that they were aware of the diversions. Further, the Noticee Nos. 53 and 60 were members of Audit Committee of REL which was tasked for reviewing the financial results of material subsidiary including RFL on quarterly basis. Being in such positions, the Noticee Nos. 47, 52, 53 and 60 should have been cautious and alert in respect of the business affairs of RFL particularly when RBI raised repeated concerns as mentioned above. I note that the said noticees have not denied the aspect of RBI raising adverse concerns in respect of CLB of RFL. The said noticees ought to have raised concerns to the management in respect of the business affairs of RFL particularly when the said noticees were either part of the committees which approved diverted/mis-utilised loans or were part of audit committee. I note that the Noticee No. 53 was on board of REL from August 3, 2016 to November 14, 2017, therefore, provisions of the listing agreement would not be applicable to him.

827. As already noted above, the Noticee Nos. 47, 52, 53, and 60 failed to discharge their duty as directors even though they had sufficient occasions to raise red flags by virtue of their membership in loan approving committees or audit committees. Applying the principle envisaged by the Hon'ble Supreme Court in *P.A Tendolkar matter (Supra)* and Hon'ble SAT in the matter of *Soumen Ghosh (Supra)*, I note that the Noticee Nos. 47, 52, and 60 have violated Clause 49(I)(D) of the Listing Agreement (prior to circular dated April 17, 2014), 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 dated April 17, 2014) read with Regulation 103 of the LODR Regulations. Further, the Noticee Nos. 47, 52, 53, and 60 have violated 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.

Role of the Noticee Nos. 53, 60 and 61 in failing to discharge their duties as member of Audit Committee of REL

828. The provisions of Clauses 49(III)(D)(1),(4),(5) & (9); 49(III)(E)(1)(2); 49(V)(B) of the Listing Agreement (post circular dated April 17, 2014) read with Regulation 103 of the LODR Regulations and Section 21 of the SCRA; Regulation 18(3) read with Clauses A (1), (4), (5), (9); B(1),(2) under Part C of Schedule II and Regulations 24(2) of the LODR Regulations, 2015. Out of the said provisions, Clause 49(V)(B) of the Listing Agreement (post circular dated April 17, 2014) read with Regulation 103 of the LODR Regulations and Section 21 of the SCRA and Regulations 24(2) of the LODR Regulations, 2015 provides the obligation of the Audit Committee to review the financial statements, in particular, the investments made by the unlisted subsidiary. The Noticee No. 53 was on board of REL from August 3, 2016 to November 14, 2017, therefore, provisions of the listing agreement would not be applicable to him and cannot be considered as violations for the said provisions of listing agreement.

829. The contentions and role of the Noticee Nos. 53, 60 and 61 have been discussed in detail in respective parts of the said noticees.

830. The Noticee No. 53 was part of audit committee of REL and had also attended four audit committee meeting during his tenure. He was also Chairman/member of RPT-SC which approved the diverted/mis-utilised loans to the tune of more than Rs. 500 Crores and in fact for one such loan disbursed on May 24, 2017, post facto approval was given by RPT-SC in August, 2017. The Noticee No. 60 was Chairman of Audit Committee of REL and attended 12 out of 13 audit committee meetings of REL during FY-2014-15, 2015-16 and 2016-17 and was also a member of Audit Committee of RFL for FY-2014-15, 2015-16 and 2016-17. The Noticee No. 61 was the member of audit committee of REL for FY-2014-15, 2015-16 and 2016-17 and attended 13 out of 13 audit committee meetings of REL.

831. I also note that the Audit Committee of REL noted the loans approved by RPT-SC which were diverted to RHC Holding, therefore, the members of audit committee of REL knew about the loans which were granted to the entities having bad financial condition which should have alerted the members of the audit committee. Further, the Noticee No. 60 was part of the audit committee of RFL which was tasked for reviewing loans granted by RFL. Further, as a member of Audit Committee of REL, the Noticee No. 53, 60 and 61 were required to review the financial affairs of

material subsidiaries of REL including RFL on quarterly basis. Therefore, the Noticee Nos. 53, 60 and 61 were privy and had knowledge about the loans being granted by RFL to such entities which did not have sound financial position. Being in possession of such information, the Noticee Nos. 53, 60 and 61 were required to be cautious while reviewing the financials of RFL. It has not been denied that the various loans granted by RFL have been diverted to RHC Holding (owned and controlled by Singh Brothers) or were mis-utilised for repayment of earlier loans taken from RFL itself. In view of the same and considering the observations of the Hon'ble SAT in Kishore Hegde matter (Supra), the Noticee Nos. 60 and 61 have violated Clauses 49(III)(D)(1),(4)&(5) (prior to circular dated April 17, 2014); 49(III)(D)(1),(4)&(5) & (9), 49(III)(E)(1)(2) and 49(V)(B) of the Listing Agreement (post circular dated April 17, 2014) read with Regulation 103 of the LODR Regulations and Section 21 of the SCRA read with Regulation 103 of the LODR Regulations and provisions of Regulation 18(3) read with Clauses A (1), (4), (5), (9) and B(1) & (2) under Part C of Schedule II and Regulation 24(2) of the LODR Regulations, 2015 and the Noticee Nos. 53 has violated Regulation 18(3) read with Clauses A (1), (4), (5), (9) and B(1) & (2) under Part C of Schedule II and Regulation 24(2) of the LODR Regulations, 2015.

V. PENALTY PROVISIONS

832. As regards Noticee Nos. 2, 20, 30, 48, 54-56, 58-59 and 62-63, no penalty is imposed as:

(i) The diversion of funds of RFL cannot be attributed to the Noticee Nos. 2 and 30 for the reasons explained in the part relating to the said noticees.

(ii) I find it fit not to impose penalty on the Noticee No. 20 for the violations committed by the then LVB which is merged with DBIL on account of statutory compulsion.

(iii) The instant adjudication proceedings against the Noticee No. 48 have been disposed vide settlement order dated May 31, 2022.

(iv) The Noticee Nos. 54-56 (Mr. H Srikrishnan, Mr. Achal Ghai and Mrs. Kanchan Jain), who were directors of RFL, were not part of any of the committees which approved the diverted loans and the same has already been discussed in detail in part relating to the said noticees.

(v) The role of the Noticee Nos. 58-59 (Mr. Ravi Umesh Mehrotra and Mr. Virender Kumar Madan) in the instant matter in respect of the misrepresentation in financial statement could not be brought out, as the said noticees were non-executive directors, were not part of any of the committees which approved the diverted loans and also were not part of the audit committee of REL/RFL. The same has been discussed in the part relating to the said noticees.

(vi) The charges against the Noticee Nos. 62 and 63 are not established for the alleged violations of the PFUTP Regulations for reasons explained in detail in part relating to the said noticees.

833. In view of the aforesaid, the Noticee Nos.1, 3-19, 21-29, 31-47, 49-50, 52, 53 and 57, are liable for penalty to be imposed under section 15HA of SEBI Act, 1992 for violation of provisions of Section 12A(c) r/w Regulation 3(c) & (d) and 4(1) r/w PFUTP Regulations.

834. Further, the Noticee Nos. 45, 47, 52, 53, 60 and 61 have violated provisions of the LODR Regulations, 2015 as mentioned above. The LODR Regulations are framed under SEBI Act, 1992, and SCRA, 1956, which do not provide for penalty for violation of the LODR Regulations, 2015. Hence, penalty under Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956 are attracted against the said noticees for violation of the provisions of the LODR Regulations as established above.

835. The Noticee Nos. 47, 51, 52, 60 and 61 have also been called upon as to why penalty under Section 23H of SCRA, 1956 should not be imposed on them, in view of the violations of the Clauses of the erstwhile equity listing agreement alleged against the said Noticees. In this regard, I note that prior to the LODR Regulations, 2015, the listing agreement was part and parcel of and requirement under the SCRA, 1956 and failure to adhere or non-compliance with the clauses of the listing agreement is liable for penalty under section 23H of SCRA, 1956 as there is no separate penalty is provided under the SCRA, 1956 for violation of listing agreement by the CEO/directors. As already noted above, the Noticee Nos. 47, 51, 52, 60 and 61 have violated the relevant clauses of the listing agreement, therefore, penalty is leviable under section 23H of the SCRA, 1956 on the said noticees.

836. In the instant matter, the whole scheme of diversion/mis-utilisation of funds started in FY 2014-15. Therefore, section15HA and 15HB of SEBI Act, 1992 and section 23H of SCRA, 1956, as amended by the Securities Laws (Amendment) Act, 2014, would be applicable, which reads as under:

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

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

Penalty for contravention where no separate penalty has been provided.

23H. *Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

837. In respect of imposition of penalty by the Adjudicating Officer under Section 15-I of SEBI Act, section 15 J of SEBI Act and 23J of SCRA provides following factors to be considered while imposing penalty:

"(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"

838. In the intant matter, the investigation has not brought out the amount of disproportionate gain or unfair advantage, made by the noticees or the amount of loss caused to an investor or group of investors, as a result of the whole scheme of diversion/mis-utilisation of funds of REL through RFL. Nonetheless, the whole scheme of fraud led to diversion of funds of Rs. 2473. 66 Crores out of a material subsidiary of REL, a listed company and also mis-utilisation of funds of Rs. 487.92 Crores of RFL. Such a huge diversion and mis-utilisation of funds of a company i.e. RFL in which REL holds 85.64% shares and which contributes to 57% of consolidated revenue of RFL and 96.3% consolidated net-worth of REL as on March 31, 2018 definetly abuses the assets of listed company and in turn also affects the investors. The elaborate scheme was perpetrated to use the funds of a material subsidiary of a listed company for the ultimate benefit of the promoters and in this whole

shcemes noticees as explained above have played their respective roles. If such a scheme were disclosed to general public, the same would have definetly affected the investors of the REL and also would have affected the price of REL. If a company like RFL which substantially affects the financial position, revenue and reputation of REL indulges in such a scheme of diversion, the same should be considered having an extremely serious affect on the investors. Such a huge fraud is not only injurious to the interest of the investors but also injurious to the integrity of the securities market. Considering the same, penalties are required to be imposed on the noticees for violations of provisions of the PFUTP Regulaitons, the LODR Regulaitons, 2015 and listing agreement under Section 15HA and 15HB of SEBI Act, 1992 and Section 23H of SCRA.

839. In view of the decision of the Hon'ble Supreme Court vide order dated February 28, 2019 in *Bhavesh Pabari (Supra),* there can be circumstances beyond those enumerated by clauses (a), (b) and (c) of Section 15-J which can be taken note of by the Adjudicating Officer while determining the quantum of penalty. The Noticee No. 3 has accepted that the loan transaction with RFL was a mere book entry and was not a genuine transaction. Further, though the Noticee No. 51 has approved certain loans, as discussed in the section relating to the Noticee No. 51, he had taken certain initiatives/actions in respect of CLB and had also objected granting certain loans. Therefore, it is felt that the said facts may be considered as mitigating factors, while imposing penalty on the Noticee Nos. 3 and 51.

ORDER

840. As regards, Noticee Nos. 2, 20, 30, 48, 54-56, 58-59 and 62-63, I dispose off the proceedings without imposing any penalty.

841. Insofar as remaining noticees are concerned considering the seriousness and gravity of the charges established in the aforesaid paragraphs and respective roles played by the noticees in such a huge scheme of fraudulent diversion and mis-utilisation of funds of a material subsidiary of a listed company penalties are required to be imposed. In view of the decision of the Hon'ble Supreme Court vide order dated February 28, 2019 in *Bhavesh Pabari (Supra),* there can be circumstances beyond those enumerated by clauses (a), (b) and (c) of Section 15-J which can be taken note of by the Adjudicating Officer while determining the quantum of penalty.

842. As regards imposition of penalties on the borrower and conduit entities, I have taken into consideration the quantum of diverted/mis-utilised amount facilitated by the said entities. Insofar as KMPs/directors of REL/RFL/RHC Holding are concerned, I have taken into consideration the position and responsibilities which the said KMPs/directors were holding in REL/RFL/RHC Holding, amount of loans/investment which were diverted/mis-utilised pursuant to the approvals given by the members of loan/investment approving committees, the tenure of the KMP/directors in the company etc.

843. After taking into consideration the violations committed by the noticees as articulated in the above paragraphs, in exercise of powers conferred upon me under section 15I (2) of the SEBI Act read with rule 5 of the SEBI Adjudication Rules and section 23I(2) of SCRA read with rule 5 of the SCR Adjudication Rules, I hereby impose the monetary penalties on the Noticees. The said penalties shall commensurate with the violations committed by the Noticees and act as a deterrent factor for the Noticees and others in protecting the interest of investors. The details of monetary penalties imposed on the noticees area as under:

Noticee No.	Name of the entity	Provision under which penalty is imposed	Penalty amount
1	OSPL Infradeal Private Limited	Section 15HA of SEBI Act	60 lakhs
3	Platinum Infrastructure Pvt. Ltd.	Section 15HA of SEBI Act	30 lakhs
4	Ad Advertising Pvt. Ltd.	Section 15HA of SEBI Act	50 lakhs
5	Artifice Properties Pvt. Ltd.	Section 15HA of SEBI Act	65 lakhs
6	Best Health Management Private Limited	Section 15HA of SEBI Act	40 lakhs
7	Devera Developers Private Limited	Section 15HA of SEBI Act	45 lakhs
8	Vitoba Realtors Private Limited	Section 15HA of SEBI Act	40 lakhs
9	Fern Healthcare Pvt. Ltd.	Section 15HA of SEBI Act	90 lakhs
10	Modland Wears Pvt. Ltd.	Section 15HA of SEBI Act	65 lakhs
11	Rosestar Marketing Pvt. Ltd.	Section 15HA of SEBI Act	60 lakhs

12	Star Artworks Pvt. Ltd.	Section 15HA of SEBI Act	50 lakhs
13	Tripoli Investment & Trading Co.	Section 15HA of SEBI Act	60 lakhs
14	Volga Management and Consultancy Pvt. Ltd.	Section 15HA of SEBI Act	50 lakhs
15	Zolton Properties Pvt. Ltd.	Section 15HA of SEBI Act	50 lakhs
16	A&A Capital Financial Service Limited	Section 15HA of SEBI Act	55 lakhs
17	Gurudev Financial Services Private Limited	Section 15HA of SEBI Act	75 lakhs
18	Tara Alloys Limited	Section 15HA of SEBI Act	30 lakhs
19	Sridham Distributors Private Limited	Section 15HA of SEBI Act	40 lakhs
21	SREI Infrastructure Finance Limited	Section 15HA of SEBI Act	35 lakhs
22	Torus Buildcon Private Limited	Section 15HA of SEBI Act	85 lakhs
23	Ranchem Private Limited	Section 15HA of SEBI Act	90 lakhs
24	Saubhagya Buildcon Private Limited	Section 15HA of SEBI Act	20 lakhs
25	Fortis Healthcare Holdings Private Limited	Section 15HA of SEBI Act	15 lakhs
26	Prius Real Estate Private Limited	Section 15HA of SEBI Act	50 lakhs
27	Oscar Investments Limited	Section 15HA of SEBI Act	60 lakhs
28	Nishu Finlease Private Limited	Section 15HA of SEBI Act	70 lakhs
29	Neelanchal Holdings Private Limited	Section 15HA of SEBI Act	45 lakhs
31	Carol Securities Private Limited	Section 15HA of SEBI Act	15 lakhs
32	VSB Investment Private Limited	Section 15HA of SEBI Act	10 lakhs
33	Yashodham Merchants Private Limited	Section 15HA of SEBI Act	20 lakhs
34	Nikhil Holdings Private Limited	Section 15HA of SEBI Act	30 lakhs

35	Best Healthcare Private Limited	Section 15HA of SEBI Act	25 lakhs
36	Green Biofuels Farms Private Limited	Section 15HA of SEBI Act	15 lakhs
37	TCK Finance and Leasing Private Limited	Section 15HA of SEBI Act	10 lakhs
38	Decent Financial Services Private Limited	Section 15HA of SEBI Act	10 lakhs
39	Kalyan Vyapaar Private Limited	Section 15HA of SEBI Act	30 lakhs
40	Spinstar Finvest Private Limited	Section 15HA of SEBI Act	30 lakhs
41	Symphony Merchants Private Limited	Section 15HA of SEBI Act	15 lakhs
42	Annies Apparel Private Limited	Section 15HA of SEBI Act	20 lakhs
43	Rexcin Finance Private Limited	Section 15HA of SEBI Act	20 lakhs
44	Mr. Sunil Kumar Garg	Section 15HA of SEBI Act	70 lakhs
45	Mr. Maninder Singh	Section 15HA of SEBI Act	70 lakhs
		Section 15HB of SEBI Act	2 lakhs
46	Mr. Daljit Singh	Section 15HA of SEBI Act	12 lakhs
47	Mr. Avinash Chander Mahajan	Section 15HA of SEBI Act	50 lakhs
		Section 15HB of SEBI Act and 23H of SCRA	3 lakhs
49	Mr. Bipin Kabra	Section 15HA of SEBI Act	1 Crore
50	Mr. Nalin Nayyar	Section 15HA of SEBI Act	12 lakhs
51	Mr. Shachindra Nath	Section 23H of SCRA	2 lakhs
52	Mr. Harpal Singh	Section 15HA of SEBI Act	30 lakhs
		Section 15HB of SEBI Act and 23H of SCRA	6 lakhs

DVSeth

53	Mr. Rashi Dhir	Section 15HA of SEBI Act	25 lakhs
		Section 15HB of SEBI Act	2 lakhs
57	Mr. Hemant Dhingra	Section 15HA of SEBI Act	15 lakhs
60	Mr. Padam Narain Bahl	Section 15HB of SEBI Act and 23H of SCRA	20 lakhs
61	Mr. Ram Krishna Shetty	Section 15HB of SEBI Act and 23H of SCRA	15 lakhs

844. The aforesaid Noticees shall remit / pay the amount of penalties imposed on them within 45 days from the date of receipt 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 availableon the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in online payment of penalties, the aforesaid 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, EFD-1-DRA-II, 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:

1.Case Name:	
2.Name and PAN of payee:	
3.Date of payment:	
4.Amount paid:	
5.Transaction no.:	
6.Bank details in which payment is made:	
7.Purpose of Payment-Payment of penalty under AO proceedings	

845. In the event of failure to pay the amount of penalty within 45 days of the receipt of this order, consequential proceedings including, but not limited to, recovery proceedings may be initiated under

Section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

846. Even though after issuing the SCN dated February 15, 2021 by my predecessor, the matter has been entrusted to the undersigned in July, 2021, after verifying the service of SCN to all the noticees wherever service could not be effected making efforts to ascertain the addresses and e-mails of the noticees for service of SCN and hearing notices, affording inspection of documents to various noticees at different dates, giving reasonable time for filing replies, fixing of hearings and granting adjournments etc. consumed considerable amount of time in finalising this order. In between some of the noticees have approached SAT and the Hon'ble Delhi High Court which also consumed some amount of time. As narrated above, in view of the complexity involved in the matter it was felt appropriate to pass consolidated order against all the noticees. Hence, all efforts have been made to pass the order within the reasonable time.

847. In terms of the provisions of Rule 6 of the SEBI and SCR Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai
Date: October 31, 2022

D.V.SEKHAR
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER