BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/AK/GN/2026-27/32850]

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

SWASTIKA INVESTMART LIMITED,

PAN: AABCS6585J

Background

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) carried out an inspection of Swastika Investmart Limited (hereinafter referred to as **'Noticee' or 'Merchant Banker' or 'MB'**), a SEBI-registered Merchant Banker having SEBI registration number as INM000012102, from July 08, 2025 to July 11, 2025. The period covered in the inspection was from April 01, 2023 to March 31, 2025 (hereinafter referred to as **'Inspection Period/ IP'**).
2. Based on the findings of inspection and Noticee's reply, certain non-compliances of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as **ICDR Regulations**), SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as **MB Regulations**), SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as **Intermediaries Regulations**), SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as **SAST Regulations**), SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **PIT Regulations**) and circulars issued by SEBI were, prima facie, observed.

Appointment of Adjudicating Officer

3. Hence, SEBI approved initiation of adjudication proceedings and vide communique dated February 06, 2026, appointed the undersigned as the Adjudicating Officer u/s 15-I of SEBI Act, 1992 (hereinafter referred to as **'SEBI Act'**) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) r/w Section 19 of the SEBI Act to inquire into and adjudge u/s 15HB of SEBI Act, the violations allegedly committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice (hereinafter being referred to as the **"SCN"**) dated March 18, 2026 was issued to the Noticee in terms of Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and why penalty, if any, should not be imposed upon the Noticee u/s 15HB of the SEBI Act for the alleged violations.
5. SCN was sent to the Noticee via SPAD and email dated March 20, 2026. By email dated March 20, 2026, the Noticee acknowledged receipt of the SCN. Vide letter dated April 02, 2026, the Noticee submitted its reply, which is summarized below:

*5.1. **SME IPO of Aditya Ultra Steel Limited***

5.1.1. Qualification and Experience Certificate of Directors/KMPs

5.1.1.1 The Noticee submitted that due to non-availability of supporting documents at the relevant time, disclosures were made based on Resume/CV provided by the individuals and duly verified by the Company. The Noticee submitted that it had undertaken reasonable due diligence procedures, including obtaining confirmations from the Company and concerned individuals. Further, it submitted that enhanced procedures for collection and retention of documentary evidence have been implemented.

5.1.2. Object of the Issue

5.1.2.1 The Noticee submitted that the working capital estimates were based on the internal assessment of the Company, considering its projected scale of operations, nature of business, operating cycle and estimated cash flow requirements. It further submitted that Chartered Accountants are restricted from certifying the accuracy of future projections in a manner that may imply assurance on their achievability. Regarding capital expenditure, the Noticee submitted that disclosures were based on a detailed commercial proposal obtained from M/s. Sundrop Energia Private Limited and information provided by the Company. It further submitted that additional measures have been implemented to strengthen its due diligence framework.

5.1.3. Risk Factors

5.1.3.1 The Noticee submitted that the corporate guarantee was duly captured in the DRHP, including its classification as a contingent liability, based on information and confirmations provided by the Company. Regarding customer concentration, it submitted that the DRHP disclosed the dependence on the top ten customers and that

the contribution of the single largest customer was disclosed in the financial statements and accompanying notes, which are integral parts of the DRHP.

5.1.4. Outstanding Litigation and Material Development

5.1.4.1 The Noticee submitted that disclosures relating to the outstanding litigation were based on the legal report provided by the legal advisor to the issue. It further submitted that it had strengthened its due diligence procedures for verification and disclosure of pending litigations.

5.2. ***SME IPO of TBI Corn Limited***

5.2.1 Qualification and Experience Certificate of Directors/KMPs

5.2.1.1 The Noticee submitted that it had requested documentary evidence of qualifications and work experience. However, where such documents were not readily available, it relied on Resumes/CVs provided by the individuals, which were reviewed, confirmed and authenticated by the concerned individuals and the Company. It further submitted that strengthened internal processes have been implemented.

5.2.2 Outstanding Litigation and Material Development

5.2.2.1 The Noticee submitted that an independent legal advisor was appointed to review past and pending litigations and disclosures were made based on the legal report. It further submitted that at the time of filing the offer document, it did not have a subscription to the Watchout Investor database. Subsequently, it has obtained the subscription and strengthened its verification procedures.

5.2.3 Objects of the Issue

5.2.3.1 The Noticee submitted that the working capital requirement of ₹17 crore was estimated based on the Company's internal assessment of projected business operations and cash flow requirements. It further submitted that Chartered Accountants are prohibited from vouching for the accuracy of future projections. Regarding capital expenditure disclosures in the offer document, it submitted that a proposal for civil work was obtained from Apnee-Tech Engineers and separate quotations for machinery were obtained from CNX Corporation Limited, Pagnism Innovations Pvt. Ltd. and ARKA Sustainable Energy Solutions. It further submitted that any double counting of transport and taxes was inadvertent and that the amounts were based on vendor proposals and Company estimates. It has since introduced requirements for three competitive quotations and independent verification of significant expenditure estimates.

5.2.4 Site Visit Report

5.2.4.1 The Noticee submitted that its team visited the issuer's premises, met the MD and CFO, examined documents and business processes, interviewed the Promoter and captured photographs. However, a formal site visit report, geo-tagged/time-stamped photographs and supporting travel records were not maintained as part of its then-existing practice. It further submitted that these documentation requirements have since been implemented.

5.3. ***SME IPO of Service Care Limited***

5.3.1 Site Visit

5.3.1.1 The Noticee submitted that its team visited the issuer's premises, met the MD, WTD and CFO, examined relevant records and business processes and captured photographs. It further submitted that procedures for maintaining detailed site visit reports, geo-tagged photographs and travel records have been implemented to strengthen site visit documentation going forward.

5.3.2 Due Diligence Certificate

5.3.2.1 The Noticee submitted that it conducted discussions with the management, auditors, Legal Advisor and other relevant parties, and examined documents obtained through emails, virtual data room, physical records and calls before submitting the Due Diligence Certificate. It further submitted that separate due diligence questionnaires and supporting records would be maintained going forward.

5.3.3 Contradictory Statement in Offer Document

5.3.3.1 The Noticee submitted that the Company i.e. Service Care Limited was incorporated on May 13, 2011 and had existed for approximately 12 years at the time of filing the DRHP. The reference to more than 23 years of experience and market presence was inadvertent, while the correct incorporation details were disclosed elsewhere in the offer document. It further submitted that a Maker–Checker mechanism has been introduced to ensure that such inconsistencies do not arise in future filings.

5.3.4 Inadequate and Misleading Disclosure of information in offer document

5.3.4.1 The Noticee submitted that the Issue Related Expenses were not presented in the same detailed format as in its other SME IPOs due to differences in the understanding of the team member preparing the disclosures. It further submitted that additional measures have been implemented to ensure consistent disclosures, in line with standard practice across all its IPO assignments.

5.4. ***SME IPO of Sai Swami Metals and Alloys Limited***

5.4.1 Site Visit

5.4.1.1 The Noticee submitted that its team visited the issuer's premises, met the MD, examined company records and business processes and interviewed the Promoter regarding the Company's operations. It further submitted that procedures for maintaining detailed site visit reports, photographs and travel records have been implemented.

5.4.2 Due Diligence Certificate

5.4.2.1 The Noticee submitted that discussions were held with the management, auditors, Legal Advisor and other relevant parties, and material documents were examined before submitting the Due Diligence Certificate which was submitted to SEBI. It further submitted that due diligence questionnaires and supporting communications would be maintained going forward.

5.4.3 Disclosures under Business Overview

5.4.3.1 The Noticee submitted that the disclosures concerning the Company's business model, dealer/distributor network, retail chains and online sales channels were based on discussions with the Promoters and written confirmations/undertakings obtained from them. It further submitted that independent verification and retention of documentary evidence with supporting documents would be undertaken going forward.

5.5. ***SME IPO of Resourceful Automobile Limited***

5.5.1 Site Visit

5.5.1.1 The Noticee submitted that its team visited the issuer's premises, met the MD, examined company records and business processes and conducted interviews with the promoters and the MD to understand the origin of the company, its operations, and the promoter's vision for future growth. It further submitted that detailed site visit reports, geo-tagged photographs and supporting travel records would be maintained going forward.

5.5.2 Due Diligence Certificate

5.5.2.1 The Noticee submitted that discussions were conducted with the management, auditors, Legal Advisor and other relevant parties, and material documents were examined before submitting the Due Diligence Certificate. It further submitted that separate due diligence questionnaire for each IPO and supporting documents would be maintained going forward.

5.5.3 Objects of the Issue

5.5.3.1 The Noticee submitted that the proposed capital expenditure for opening new showrooms in Delhi/NCR was based on detailed commercial proposals obtained from the vendor, Shiva Enterprises and the vendor's technical capability and track record. Regarding repayment of loans, it submitted that procedures have since been introduced for obtaining CA certificates confirming end-use and NOCs from lenders.

5.5.3.2 It further submitted that the Industry Overview section in the DRHP was based on publicly available sources; the reference to partnerships with motorcycle 'manufacturers' was a clerical error; the Company had eight permanent employees, supported by salary slips for six and an employee list for two; and the rent agreements, though unregistered, were notarized and considered valid.

5.5.4 Educational Qualification and Experience of Promoters/Directors

5.5.4.1 The Noticee submitted that, in the absence of supporting certificates, disclosures relating to the qualifications and experience of the Directors were based on Resumes/CVs and declarations obtained from them. It further submitted that procedures for obtaining educational and experience certificates, or alternative supporting evidence for all Directors, KMPs and Senior Management Personnel, have been implemented.

5.6. ***SME IPO of United Heat Transfer Limited***

5.6.1 Site Visit

5.6.1.1 The Noticee submitted that its team visited the issuer's premises, met the CFO and MD and examined relevant documents. It further submitted that the actual site visit took place on April 14, 2024, and the date of April 11, 2024 mentioned in the report was a clerical error. Procedures for maintaining site visit records have since been strengthened through preparation of detailed site visit report, capturing of geo-tagged photographs, maintenance of attendance records, etc.

5.6.2 Checking Willful Defaulter List

5.6.2.1 The Noticee submitted that verification of litigations and related disclosures was based on the report of an independent Legal Advisor. It further submitted that it has since subscribed to Watchout Investors and introduced independent due diligence and verification of willful defaulter and fugitive economic offender status.

5.6.3 Inadequate/Inaccurate Disclosures in DRHP

5.6.3.1 The Noticee submitted that the disclosure on page 21 of the DRHP correctly reflected the position regarding no outstanding legal cases, whereas the contrary statement on page 15 was a clerical error. It further submitted that discrepancies in the state-wise revenue figures for Maharashtra were also clerical errors and that a Maker–Checker mechanism for all financial disclosures and mandatory cross-verification of all tabular and numerical data before inclusion in the offer document have since been introduced.

5.7. ***Takeover Offer of Shalimar Paints Limited***

5.7.1 Non-availability of Supporting Documents

5.7.1.1 The Noticee submitted that the disclosure concerning Hella Infra operating under the brand name Infra.Market was based on information available at the relevant time without any intent to mislead investors. Regarding qualifications and experience of Directors, Promoters and KMPs, it submitted that disclosures were based on Resumes/CVs and declarations provided by respective individuals where original supporting documents were unavailable. It further submitted that procedures for retaining documentary evidence corresponding to the information provided in Resumes/CVs have been strengthened.

5.7.2 Checking Willful Defaulter List

5.7.2.1 The Noticee submitted that an independent Legal Advisor had conducted due diligence on past legal cases and litigations and that relevant confirmations were obtained on the basis of the Legal Advisor's report. It further submitted that it has since subscribed to Watchout Investors and introduced independent verification procedures. Further, it submitted that independent due diligence and verification will be exercised in addition to relying on the Legal Advisor's reports to ensure completeness and accuracy.

5.7.3 Non-disclosure of Administrative Warning Letter

5.7.3.1 The Noticee submitted that the administrative warning letter dated January 15, 2024, issued by SEBI to the MD of the Target Company was advisory and non-punitive in nature, without any adjudication, penalty or directions. Accordingly, based on its interpretation of materiality, it considered that the warning did not warrant disclosure in the Letter of Offer dated January 30, 2024.

5.8. ***Additional Observations During Inspection***

5.8.1 Investor Grievances

5.8.1.1 The Noticee submitted that the missing Investor Charters for Rights Issue, QIP, SME IPO, FPO including OFS and SAST have since been uploaded on its website. Regarding

complaints data, it submitted that the grievance data for the period April 01, 2023 to March 31, 2025 had been uploaded earlier but could not be downloaded due to a linking/technical issue on its website, which has since been resolved. It further submitted that the complete historical complaints data has been uploaded and that a regulatory disclosure checklist, periodic internal reviews, monthly uploading of complaints data by the 7th of the succeeding month, compliance monitoring, staff training and retention of screenshots as proof of uploading have been implemented.

5.8.2 Track Record Disclosure by MB on its Website

5.8.2.1 The Noticee submitted that while disclosures relating to public issues managed during the preceding three financial years were made on its website, certain details, including the basis of issue price, post-listing trading status and financial parameters of the issuers, were not comprehensively included. It further submitted that the track record is being updated to include all mandatory details prescribed under Para 8 of the SEBI Master Circular and that quarterly internal reviews and monitoring by the Compliance Officer, with reporting to senior management, have been introduced.

5.8.3 Merchant Banker Certification Requirements

5.8.3.1 The Noticee submitted that there was no period during which it was without a Compliance Officer, as the resignation of the previous Compliance Officer and appointment of Mohit Goyal were effective on May 09, 2023. It submitted that the Board Resolution evidencing the appointment had already been provided during inspection and formed part of Annexure-15 to the SCN. The date of May 31, 2023 reflected against Mohit Goyal's designation in Annexure-15 was stated to be a clerical copy-paste error, as the preceding entry relating to Aayush Agrawal contained a designation change effective May 31, 2023, and the corresponding date was inadvertently not updated.

5.8.4 Email ID for Regulatory Communications

5.8.4.1 The Noticee submitted that the observation regarding non-exclusive use of the designated email ID was noted. It stated that a separate email ID, mb.investorgrievance@swastika.co.in, already existed for investor grievance redressal; however, certain grievance-related emails were received at merchantbanking@swastika.co.in. It further submitted that a new email ID, mb@swastika.co.in, has been created for designated communications, the earlier ID is no longer being used for that purpose, and access has been restricted to the Compliance Officer and senior members of the Merchant Banking division.

5.8.5 Compliance with PIT Regulations During Inspection Period

5.8.5.1 The Noticee submitted that the observation regarding non-formulation of the Code of Conduct under Regulation 9(1) read with Schedule C of the PIT Regulations was noted. It stated that a comprehensive Code of Conduct was approved by the Board and formally adopted on July 22, 2025, and a Compliance Officer was designated to monitor compliance and maintain records with periodic reporting to the Board. Regarding the Structured Digital Database (SDD), it submitted that the SDD software was procured and operationalised only from October 23, 2024, and entries prior to that date were not captured. It also acknowledged that the Designated Persons list was incomplete. It further submitted that the SDD is now operational, required entries are being made, the Designated Persons list has been updated to include relevant employees and KMPs, and monthly compliance checks and reporting to senior management have been introduced.

5.8.6 Maintenance of Arm's Length Relationship

5.8.6.1 The Noticee submitted that the HR Department was temporarily seated in the same office space as the Merchant Banking division due to construction work at the HR Department's premises and was shifted immediately following the suggestion of SEBI officials. It stated that, despite the shared premises, Merchant Banking records and documents were maintained securely with restricted access and confidentiality protocols. It further submitted that a physically separated enclosure is being created exclusively for the Merchant Banking division and internal protocols have been updated to ensure its functional independence in future office arrangements and expansions.

6. In the interest of natural justice, an opportunity of personal hearing was granted to Noticee on May 12, 2026 via Hearing Notice dated April 29, 2026. The said Hearing Notice was sent to Noticee through SPAD and email dated April 29, 2026 and vide email dated April 29, 2026, Noticee acknowledged the receipt of same.
7. The Authorised Representatives (ARs) of the Noticee appeared for the hearing scheduled on May 12, 2026 and reiterated the submissions already made vide reply dated April 02, 2026.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

8. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?

ISSUE II- Does the violation, if any, attract monetary penalty u/s 15HB of the SEBI Act?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

9. Before proceeding further, it is appropriate to refer the relevant provisions as alleged to be violated by the Noticee, the same may be accessed through the links below:

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-december-05-2025-_98695.html

Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992

https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-merchant-bankers-regulations-1992-last-amended-on-december-5-2025-_98640.html

Securities and Exchange Board of India (Intermediaries) Regulations, 2008

https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-intermediaries-regulations-2008-last-amended-on-december-5-2025-_98642.html

Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-december-5-2025-_98643.html

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015

https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-last-amended-on-march-12-2025-_92672.html

SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023

https://www.sebi.gov.in/legal/master-circulars/sep-2023/master-circular-for-merchant-bankers_77368.html

FINDINGS

10. I have gone through the material available on record. With regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder:

ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?

11. **SME IPO of Aditya Ultra Steel Limited**

11.1. **Qualification and Experience Certificate of Directors/KMPs:**

11.1.1. During inspection, it was observed that Noticee failed to provide supporting documents for disclosures made in DRHPs w.r.t. qualification and Experience Certificate of Directors/KMPs. In view of the same it was alleged that Noticee had violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

11.1.2. I note that in reply to the SCN, Noticee had submitted that due to non-availability of such documents at the relevant time, disclosures were made based on Resume/CV as provided by the individuals and duly verified by the Company.

11.1.3. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (10)(F)(a)(i) of the ICDR Regulations prescribes disclosures relating to directors and key managerial personnel. Regulation 13 r/w Clauses 4, 7 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

11.1.4. I note that during inspection it was found that in the offer document it was mentioned that Prabhu Dayal, Kapil Dev Panchal, Vikas Babusing Panwar, Sapna Jain and Piyush Ravishankar Bhatt (Directors/ KMPs) are qualified and have years of work experience in their respective fields. However, the Noticee

could not provide supporting documents of their qualification/ work experience certificates justifying the disclosures mentioned in offer document.

11.1.5. In reply to the SCN, Noticee admitted that the disclosures were made based on the résumés/CVs provided by the individuals and duly verified by the Company; however, no supporting documents were provided by the Company.

11.1.6. Therefore, I observe that Noticee failed to verify the claims i.e. supporting documents justifying the disclosures made in the offer document w.r.t. qualifications/ work experience of directors/ KMPs.

11.1.7. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

11.2. **Object of the issue.**

11.2.1. During inspection it was observed that Noticee failed to provide supporting documents for basis of estimation of working capital requirement along with relevant assumptions, CA certificate verifying the estimated working capital requirement was not obtained and to obtain quotations from multiple vendors. In view of the same, it was observed that Noticee allegedly violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (5) (a) of ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (7) (b) of ICDR Regulations.

11.2.2. I note that in reply to the SCN, Noticee had submitted that the said estimation was based on the internal assessment of the Company, taking into account its projected scale of operations, nature of business, operating cycle, and estimated cash flow requirements. Further as per the Code of Ethics issued by the Institute of Chartered Accountants of India, Chartered Accountants are restricted from certifying or vouching for the accuracy of future projections in a manner that may imply assurance on their achievability.

11.2.3. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w

Schedule VI, Part A (9)(A)(5)(a) and (7)(b) of the ICDR Regulations prescribes disclosures concerning working capital requirements and capital expenditure. Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

11.2.4. During inspection, it was observed that one of the objects of the issue is to fund working capital requirement of the company amounting to Rs. 14.35 crores. The Noticee did not provide supporting documents in support of calculation of working capital requirements. Further, the Noticee did not obtain a CA certificate verifying the estimated working capital requirement as part of its due diligence. Noticee submitted that CAs are restricted from certifying or vouching for the accuracy of future projections in a manner that may imply assurance on their achievability. In this regard, I note that CA certificate verifying the estimated working capital requirement is not equivalent to certifying or vouching for the accuracy of future projections in a manner that may imply assurance on their achievability. It's an estimated working capital requirement. Therefore, the aforesaid contention of the Noticee is not tenable.

11.2.5. It was further observed during inspection that one of the objects of the issue was to fund capital expenditure of Rs. 15.35 crores for commissioning of solar power. The quotation was obtained from a single vendor, and the Noticee did not provide proof of the advance paid to the vendor.

11.2.6. Noticee submitted that disclosure in the DRHP regarding the proposed capital expenditure was based on a detailed commercial proposal obtained from M/s. Sundrop Energia Private Limited. However, Noticee did not provide any supporting documents in this regard.

11.2.7. Further, I note that during inspection it was found that the Noticee merely relied on management estimates/ submission for calculation of working capital requirement.

11.2.8. In view of the above, I find that Noticee has violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations,

Regulation 245(1) and (3) of the ICDR Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (5) (a) of ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (7) (b) of ICDR Regulations.

11.3. **Risk Factors**

11.3.1. I note that during inspection, it was observed that Noticee failed to make necessary disclosures under risk factors for providing guarantees which were beyond net worth of issuer company and to make complete disclosures in DRHP w.r.t. top 10 customers and their weightage. In view of the same, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (5) (G) (8) of ICDR Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

11.3.2. I note that in reply to the SCN, Noticee submitted that the disclosure pertaining to the corporate guarantee extended by the Company was duly captured in the DRHP, including its classification as a contingent liability. The said disclosure was made based on information, documents, and confirmations provided by the Company and its management.

11.3.3. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (5)(G)(8) of the ICDR Regulations prescribes disclosure of material risk factors. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements. I note that under RF 2 the Noticee had disclosed that the company has extended corporate guarantee for an amount of Rs.696 crores whereas the companies networth is Rs. 375.8 crores (as on 31/03/2024). The Noticee did not verify the terms of the guarantee independently and its impact in case of invocation and no disclosures w.r.t. terms of guarantee/ sanction letters/ guarantee deeds were either disclosed/ verified.

11.3.4. I note that the Noticee merely relied on management estimates/ submission for disclosure of corporate guarantee. The MB did not make disclosures of

additional information envisaging, in case, the invocation of corporate guarantee the financial health of the issuer company will have major impact as the guarantee amount exceeds the net worth of the issuer company.

11.3.5. Further, under RF 5 it was mentioned that top 10 customers contribute approx. 95 % of the total revenue. However, from the offer document it was noted that single largest customer contributes nearly 56% of company's revenue which was not disclosed under separate RF.

11.3.6. In this regard, Noticee submitted that disclosure explicitly flagged the risk arising from customer concentration and made investors aware that a substantial portion of the Company's revenue is dependent on a limited number of customers, thereby highlighting potential financial vulnerability. However, it did not highlight the fact that the single largest customer contributes nearly 56% of company's revenue which was not disclosed as a separate risk factor. Therefore, the aforesaid contention of the Noticee is not tenable.

11.3.7. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (5) (G) (8) of ICDR Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

11.4. **Outstanding litigation and material development**

11.4.1. During inspection it was observed that Noticee failed to make complete and adequate disclosure of financial and legal risks faced by issuer company with regard to Company Petition No. CP/19(AHM) of 2022 filed before the Hon'ble NCLT, Ahmedabad. In view of the same, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (4) (J) of ICDR Regulations and Regulation 245(1) and (3) of ICDR Regulations.

11.4.2. During inspection it was observed that an application bearing Company Petition No. CP/19(AHM) of 2022 has been filed before the Hon'ble NCLT, Ahmedabad u/s 73(4) and 76(2) of the Companies Act, 2013 against Aditya Ultra Steel Limited ("AUSL"), in relation to alleged default in repayment of deposits amounting to Rs. 48.13 lakh along with interest. In this regard, the said petition was not disclosed under contingent liabilities (pending litigation) and the alleged interest component was not explicitly quantified. The same resulted in

incomplete and inadequate disclosure of financial and legal risks faced by the issuer company.

11.4.3. In its reply to the SCN, Noticee submitted that the disclosures are based on legal report provided by the legal advisor to the issue.

11.4.4. As per Regulation 13 r/w Schedule III (4) of MB Regulations, the MB shall exercise due diligence and ensure proper care and exercise independent professional judgement while discharging its duties and fulfill its obligations in professional manner.

11.4.5. Further, as per Regulation 24(2)(b) r/w Schedule VI, Part A (4) (J) of ICDR Regulations, the summary table of contingent liabilities with cross reference to be disclosed in restated financial statements. As per Regulation 245(1) and (3) of ICDR Regulations, the offer document shall contain material disclosures and MB required to satisfy themselves about the disclosures made.

11.4.6. I note that the Noticee merely relied on the legal report for disclosures made under the head *"Outstanding litigation and material development"*.

11.4.7. In my view, a legal report may form part of the due diligence material, however, reliance on such report, without examining the underlying proceedings and ensuring that the material litigation and financial exposure were completely reflected in the offer document, does not discharge the Noticee's independent obligation in this regard.

11.4.8. In view of the above, I find that the Noticee has violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (4) (J) of ICDR Regulations and Regulation 245(1) and (3) of ICDR Regulations.

12. **SME IPO of TBI Corn Limited**

12.1. **Qualification and Experience Certificate of Directors/KMPs.**

12.1.1. I note that during inspection it was observed that Noticee failed to provide supporting documents for disclosures made in DRHPs w.r.t. qualification and Experience Certificate of Directors/KMPs. In view of the above, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

12.1.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (10)(F)(a)(i) of the ICDR Regulations prescribes disclosures relating to directors and key managerial personnel. Regulation 13 r/w Clauses 4, 7 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

12.1.3. I note that in the offer documents it was mentioned that Ninad Anand Yudurkar, Sanjay Ashokrao, Kadam, Chandrakant Savji Mali, Atul Babasahed Patil and Ishani Dhuphar (Directors/KMPs) are qualified and have years of work experience in their respective fields. However, the MB could not provide supporting documents of their educational qualification/ work experience certificates justifying the disclosures mentioned in offer document.

12.1.4. In reply to the SCN, Noticee submitted that such documents were not readily available and that it relied on the Resumes/CVs provided by the individuals, which were duly reviewed, confirmed, and authenticated by both the concerned individuals and the Company. However, the Noticee did not provide supporting documents in support of its contention; therefore, the contention is not tenable.

12.1.5. I observe that in the instant case the Noticee failed to verify the claims i.e. supporting documents justifying the disclosures made in the offer document w.r.t. qualifications/work experience of directors/ KMPs.

12.1.6. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

12.2. **Outstanding litigation and material development**

12.2.1. I note that during inspection it was observed that Noticee did not have a subscription to the “Watchout Investors” database used to check information concerning economic offenders and wilful defaulters. Further, the Noticee made

disclosures without independently checking the litigation background of the directors in the offer document. In view of the same, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (12) (A) (1),(1A), (2),(3) and (4) of ICDR Regulations and Regulation 245(1) and (3) of the ICDR Regulations.

12.2.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (12)(A)(1), (1A), (2), (3) and (4) of the ICDR Regulations prescribes disclosures concerning outstanding litigation and related matters. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

12.2.3. I note that in the offer document under the head outstanding litigation and material development, the Noticee disclosed that *"none of the directors are on the RBI list of willful defaulters or fraudulent borrowers".* Further, *"none of the promoters or directors of our company are a fugitive economic offender".*

12.2.4. However, during the inspection it was observed that Noticee did not have subscription to *"watch out investors"* database which is used for checking database of economic offenders and aims at alerting and protecting the investors.

12.2.5. In reply to the SCN, Noticee submitted that the legal advisor was appointed for checking legal cases and litigations of the directors. The disclosures were made based on the legal report. Noticee also submitted that it has now obtained a subscription to the Watchout Investors database.

12.2.6. From the above, I note that the Noticee made the following disclosures without independently checking the litigation background of the directors: *"none of the directors are on the RBI list of willful defaulters or fraudulent borrowers".* Further, *"none of the promoters or directors of our company are a fugitive economic offender"* in the offer document.

12.2.7. The Noticee simply relied on the legal report and had not done independent verification from verifiable source such as *"watch out investors"* website

12.2.8. Hence, the disclosures made under *"Outstanding litigation and material development"* the Noticee did not have any supporting documents to verify the disclosures.

12.2.9. The Noticee has not demonstrated any independent search or verification from a reliable database or public source before making the categorical negative disclosures. In my view, obtaining a database subscription after inspection is a corrective measure and does not establish that the disclosures were verified when made.

12.2.10. In view of the above, I find that Noticee has violated Regulation 13 r/w Schedule III (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (12) (A) (1),(1A), (2),(3) and (4) of ICDR Regulations and Regulation 245(1) and (3) of the ICDR Regulations.

12.3. **Objects of the issue.**

12.3.1. I note that during inspection it was observed that Noticee failed to furnish any supporting document which substantiates the basis of estimation of working capital requirement along with relevant assumptions, obtain independent CA certificate that verifies the estimation of working capital as part of its due diligence, obtain three quotations as per market practice and transportation/tax cost was already included the prices of the machines however the same was again calculated separately in invoice/ quotation. In view of the above, it was alleged that Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (5) (a) of ICDR Regulations and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (7) (b) of ICDR Regulations.

12.3.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (9)(A)(5)(a) and (7)(b) of the ICDR Regulations prescribes disclosures relating to working capital requirements and capital expenditure. Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires

the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

12.3.3. I note that one of the objects of the issue is to fund working capital requirement of the company amounting to Rs. 17 crores. During inspection the Noticee did not provide supporting documents in support of calculation of working capital requirements. Further, the Noticee did not obtain a CA certificate verifying the estimated working capital requirement as part of its due diligence.

12.3.4. I note that the MB merely relied on management estimates/ submission for calculation of working capital requirement.

12.3.5. I also note that one of the objects of the issue was capital expenditure. In this regard I note that the quotation for the supply of machinery was obtained from a single vendor. Further, the cost of transport and taxes was included in the quoted price; however, under the objects of the issue, those costs were shown additionally.

12.3.6. In reply to the SCN, Noticee submitted that the reason for selection of one vendor was due to specific technical solutions, track record, commissioning timelines proposed by vendor. However, with regard to including transport and tax charges twice (in invoice as well as additional capital expenditure in offer document), Noticee admitted that double counting of transport and taxes in the offer document was unintentional.

12.3.7. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (5) (a) of ICDR Regulations and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (7) (b) of ICDR Regulations.

12.4. **Site visit report.**

12.4.1. During inspection it was observed that Noticee failed to provide supporting documents substantiating site visit of issuer company by noticee. Therefore, Noticee allegedly violated Regulation 245 (1) (d) of ICDR Regulations,

Regulation 13 r/w Schedule III (4) of MB Regulations and Regulation 9A(1)(e) of the MB Regulations.

12.4.2. I note that Regulation 245(1)(d) of the ICDR Regulations requires the lead manager to exercise due diligence in relation to the issue. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

12.4.3. I note that during the inspection Noticee was asked to provide site visit report. The Noticee submitted that they have not prepared site visit report. Noticee provided certain photos which were neither time stamped nor geo tagged. Further, Noticee could not provide any additional supporting documents (like travel documents, details of visit, name of employees with whom meeting was arranged etc) that could corroborate the site visit which is part of Noticee due diligence.

12.4.4. In reply to the SCN, Noticee submitted that it had visited the office premises, met senior executives, verified documents, and inspected the plant and machinery. It further submitted that, going forward, it would prepare a site visit report in compliance with due diligence.

12.4.5. Therefore, I observe that the Noticee did not prepare any site visit report and failed to provide evidence supporting its claim that it met company executives and carried out a site visit.

12.4.6. A site visit is relied upon as a due-diligence step only when the intermediary can demonstrate when it occurred, who participated, what was examined and what conclusions were reached. In my view, in the absence of a report, attendance or travel records, time-stamped photographs or a checklist, the assertion of a visit does not establish the scope or adequacy of the exercise.

12.4.7. In view of the above, I find that Noticee violated Regulation 245 (1) (d) of ICDR Regulations, Regulation 13 r/w Schedule III (4) of MB Regulations and Regulation 9A(1)(e) of the MB Regulations.

13. **SME IPO of Service Care Limited**

13.1. **Site Visit.**

13.1.1. During inspection it was observed that Noticee failed to provide supporting documents substantiating site visit of issuer company by Noticee. Therefore, Noticee allegedly violated Regulation 245 (1) (d) of ICDR Regulations, Regulation 13 r/w Schedule III (4) of MB Regulations and Regulation 9A(1)(e) of the MB Regulations.

13.1.2. I note that Regulation 245(1)(d) of the ICDR Regulations requires the lead manager to exercise due diligence in relation to the issue. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

13.1.3. I note that during the inspection Noticee was asked to provide site visit report. The Noticee during the inspection vide letter dated July 8, 2025 submitted that they do not have any supporting documents in support site visit conducted and have not obtained any of the undertaking checklist details of materials available during their site visit and do not have travel documents in support of their site visit.

13.1.4. In reply to the SCN, Noticee submitted that it had visited the office premises, met senior executives, and verified documents. It further submitted that, going forward, it would prepare a site visit report in compliance with due diligence. However, no supporting documents are provided by the Noticee.

13.1.5. From the reply submitted by the Noticee I observe that the Noticee did not prepare any site visit report and failed to provide evidence supporting its claim that it met company executives and carried out a site visit.

13.1.6. In view of the above, I find that Noticee violated Regulation 245 (1) (d) of ICDR Regulations, Regulation 13 r/w Schedule III (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

13.2. **Due diligence certificate**

13.2.1. During inspection it was observed that Noticee failed to provide supporting documents for the due diligence certificate issued. Therefore, it was alleged that

Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

13.2.2. I note that Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

13.2.3. I note that during the inspection, the Noticee was asked to provide the details of communication with the issuer company and supporting documents obtained from the issuer company in support of due diligence certificate issued by the Noticee for the proposed issue.

13.2.4. The MB vide letter dated July 8, 2025 submitted that, "*We do not have any supporting documents which establishes the documents/ Due-Diligence questionnaire/ other information related to Due-Diligence were obtained from the company to prepare the Due-Diligence Certificate issued for the said IPO"*

13.2.5. In reply to the SCN, Noticee submitted that it held discussions with management, the statutory auditor, the legal advisor and other relevant parties after which it obtained and examined relevant material documents exchanged through emails, calls, virtual data room and submitted its due diligence certificate. Going forward, it will prepare a detailed due diligence questionnaire and maintain records.

13.2.6. I note that the Noticee has admitted that it does not have documents supporting the due diligence certificate.

13.2.7. In this regard, I am of the view that the absence of the due-diligence questionnaire and supporting communications is material because the certificate represents that the contents of the offer document have been examined and verified. In my view, oral discussions and a general reference to emails or a virtual data room, without identified records, do not demonstrate the basis on which the certificate was issued.

13.2.8. In view of the above, I find that Noticee is in violation of Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

13.3. **Contradictory statement in offer document.**

13.3.1. During inspection it was observed that Noticee had made contradictory statements in offer document. Therefore, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4) and (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

13.3.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 13 r/w Clauses 4, 7 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

13.3.3. I note that during inspection it was observed that the overall existence of the company Service Care Limited is around 12 years (i.e. from the date of incorporation till the date of filing DRHP). However, the MB under the head *"Management's Discussion and analysis of financial position and results of operations"* mentioned that *"…….With the experience and Market presence of more than 23 years, we have establish our creditability with our customers and partners across the country."*

13.3.4. I note that in reply to the SCN, Noticee admitted that the above disclosure of mentioning company market presence of more than 23 years was inadvertently mentioned and it is a clerical error.

13.3.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4) and (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

13.4. **Inadequate and misleading disclosure of information in offer document.**

13.4.1. During inspection it was observed that Noticee has made inadequate and misleading disclosure of information in offer document, thereby allegedly violated Regulation 13 r/w Schedule III (3) (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1) of

Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

13.4.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 16 r/w clause 3.1 of Schedule III of the Intermediaries Regulations prescribes the applicable standards of conduct. Regulation 13 r/w Clauses 3, 4, 7, 20 of Schedule III of the MB Regulations requires the Merchant Banker to fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims; not make untrue statements or suppress material facts in information furnished to SEBI. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

13.4.3. I note that during inspection it was observed that the company appointed Neomile Corporate Advisory Limited as advisor to the issue and paid an amount of Rs. 2,47,86,000/- as advisory fee. The said advisory fee is more than 10% of the issue size. However, appropriate disclosures in this regard was not made by Noticee in the offer document in line with other offer documents prepared by Noticee.

13.4.4. The Noticee, in reply to the SCN submitted that the disclosure w.r.t. advisory fees paid to Neomile Corporate Advisory Limited should have been made more explicitly in the offer document and the same is inadvertent and not intentional.

13.4.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (3) (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1) of Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

14. **SME IPO of Sai Swami Metals and Alloys Limited**

14.1. **Site Visit.**

14.1.1. During inspection it was observed that Noticee failed to provide supporting documents substantiating site visit of issuer company by Noticee, thereby allegedly violated Regulation 245(1)(d) of ICDR Regulations, Regulation 13 r/w Schedule III(4) of MB Regulations r/w Regulation 9A(1)(e) of MB Regulations.

14.1.2. I note that Regulation 245(1)(d) of the ICDR Regulations requires the lead manager to exercise due diligence in relation to the issue. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

14.1.3. I note that during the inspection Noticee was asked to provide site visit report. The Noticee during the inspection vide submission letter dated July 8, 2025 submitted that they do not have any supporting documents in support site visit conducted and have not obtained any of the undertaking checklist details of materials available during their site visit and they do not have travel documents in support of their site visit.

14.1.4. In view of the above, I find that Noticee violated Regulation 245(1)(d) of ICDR Regulations, Regulation 13 r/w Schedule III(4) of MB Regulations r/w Regulation 9A(1)(e) of MB Regulations.

14.2. **Due diligence certificate**

14.2.1. During inspection it was observed that Noticee failed to provide supporting documents for the due diligence certificate issued, thereby allegedly violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations.

14.2.2. I note that Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

14.2.3. I note that during the inspection, the Noticee was asked to provide the details of communication with the issuer company and supporting documents obtained from the issuer company in support of due diligence certificate issued by the Noticee for the proposed issue.

14.2.4. The Noticee vide letter dated July 8, 2025 submitted that, *"We do not have any supporting documents which establishes the documents/Due-Diligence*

questionnaire/other information related to Due-Diligence were obtained from the company to prepare the Due-Diligence Certificate issued for the said IPO"

14.2.5. The Noticee, in reply to the SCN, submitted that it held discussions with management, the statutory auditor, the legal advisor and other relevant parties after which it obtained and examined relevant material documents exchanged through emails, calls, virtual data room and submitted its due diligence certificate. Going forward, it will prepare a detailed due diligence questionnaire and maintain records.

14.2.6. Therefore, I note that the Noticee admitted that it does not have documents supporting the due diligence certificate.

14.2.7. In view of the above, I find that the Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations.

14.3. **Disclosures under the head *"Business Overview"***

14.3.1. During inspection it was observed that Noticee failed to provide supporting documents for two disclosures made in the offer document under the head "business overview", thereby allegedly violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1 and 3.2) of Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

14.3.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 16 r/w Point III(3.1) and III(3.2) of Schedule III of the Intermediaries Regulations prescribes the applicable standards of conduct. Regulation 13 r/w Clauses 4, 7, 20 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims; not make untrue statements or suppress material facts in information furnished to SEBI. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

14.3.3. I note that during inspection it was observed that the Noticee made two disclosures under the head *"Business Overview*"

(a) *"…….As on Dec 31, 2023 we have large dealers network across country more than 150 dealers network active in the state of Gujarat, Madhya Pradesh and Maharashtra….."*

(b) *"……we have around 6 distributors with more than 200 stockiest and retailers. Further, we are approved vendors of various retail chains such as Reliance Retails Limited, Star Bazar through registered dealers and we are working directly with DMART for the sale of our products from several of their retail outlets in India. Further, we our products are sold online through e-commerce platforms such as flipkart India Private Limited, Jiomart, Bigbasket and Amazon seller services Private Limited"*

14.3.4. During inspection the Noticee was asked to provide supporting documents for aforesaid disclosures. Noticee vide letter dated July 11, 2025 submitted that they do not have any supporting documents in support of aforesaid disclosures.

14.3.5. In my view, since the Noticee admittedly did not possess supporting documents for the specific numerical and business-channel claims, it has not shown any reasonable basis for treating those claims as verified, true and adequate.

14.3.6. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1 and 3.2) of Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

15. **SME IPO of Resourceful Automobile Limited**

15.1. **Site Visit.**

15.1.1. During inspection it was observed that Noticee failed to provide supporting documents substantiating site visit of issuer company by Noticee, thereby allegedly violated Regulation 245(1)(d) of ICDR Regulations, Regulation 13 r/w Schedule III(4) of MB Regulations r/w Regulation 9A(1)(e) of MB Regulations.

15.1.2. I note that Regulation 245(1)(d) of the ICDR Regulations requires the lead manager to exercise due diligence in relation to the issue. Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

15.1.3. I note that during the inspection Noticee was asked to provide site visit report. The Noticee during the inspection vide submission letter dated July 8, 2025 submitted that they do not have any supporting documents in support site visit conducted and have not obtained any of the undertaking checklist details of materials available during their site visit and they do not have travel documents in support of their site visit.

15.1.4. In view of the above, I find that Noticee violated Regulation 245 (1) (d) of ICDR Regulations, Regulation 13 r/w Schedule III (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

15.2. **Due diligence certificate**

15.2.1. During inspection it was observed that Noticee failed to provide supporting documents for the due diligence certificate issued, thereby allegedly violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations.

15.2.2. I note that Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements. I note that during the inspection, the Noticee was asked to provide the details of communication with the issuer company and supporting documents obtained from the issuer company in support of due diligence certificate issued by the Noticee for the proposed issue.

15.2.3. The Noticee vide letter dated July 8, 2025 submitted that, *"We do not have any supporting documents which establishes the documents/Due-Diligence questionnaire/other information related to Due-Diligence were obtained from the company to prepare the Due-Diligence Certificate issued for the said IPO"*

15.2.4. In reply to the SCN, Noticee admitted that it does not have documents supporting the due diligence certificate.

15.2.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

15.3. **Objects of the issue (Failure to carry out proper due diligence w.r.t. objects of the issue and failure to obtain NOC from lenders)**

15.3.1. During inspection it was observed that Noticee failed to carry out proper due diligence w.r.t. objects of the issue and failure to obtain NOC from lenders, thereby allegedly violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (2) (b) of ICDR Regulations.

15.3.2. I note that Regulation 24(2)(b) r/w Schedule VI, Part A (9)(A)(2)(b) of the ICDR Regulations prescribes disclosures relating to objects of the issue. Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

15.3.3. I note that during inspection it was observed that the objects of the issue were to carry out expansion of the company and repayment of the debt. During the examination it was noted that the estimated invoice for the expansion of the company appeared to be false and misleading as the details provided on the vendor's invoice did not match the vendor's GST details stated in the quotation.

Name of vendor as per invoice: Shiva Enterprises

Name of proprietor as per invoice: Rajat Verma

15.3.4. The above details were checked on the GST portal using the GST number mentioned on the invoice.

Actual name of vendor as per GST records: Shiva Enterprises

Actual name of proprietor as per GST records: Sagar Shribal

15.3.5. Further, as one of the objects of the issue was the repayment of debt, the Noticee failed to obtain a certificate from a CA confirming that the loan was utilised for the purpose for which it was availed and also failed to obtain an NOC from its lenders for the proposed issue.

15.3.6. Noticee submitted that it relied on the quotations provided by the issuer and admitted that it had neither obtained a CA certificate confirming that the loan was utilised for its stated purpose nor obtained an NOC from its lenders for the proposed issue

15.3.7. The Noticee under the head industry overview disclosed certain data which was observed to be incorrect and not obtained from an authentic source. Further, Noticee did not have copies of government policies mentioned in the offer document.

15.3.8. The Noticee, in its reply, submitted that the aforesaid data was procured from publicly available information which it had not independently verified.

15.3.9. The Noticee under the head Business overview mentioned that

"…..*Sawhney Automobile has forged partnerships with leading motorcycle manufacturers*……"

15.3.10. Further, it was mentioned that the issuer company had eight permanent employees, however, the Noticee had provided salary slips for six employees only.

15.3.11. The rent agreements executed by the company were unregistered and notarised on stamp paper of Rs. 50 or Rs. 100; and certain agreements were not signed by both parties. No rent/lease agreement was available for the period prior to March 23, 2023.

15.3.12. The Noticee, in its reply, submitted that:

a) there was a clerical error in stating that the company had partnerships with leading motorcycle manufacturers.
b) The company provided the salary slips of six employees, and the details of the remaining two employees were taken from the list of employees provided by the company.
c) The notarised agreements are legally valid and enforceable. The failure to have the agreement executed by an authorised signatory of the company was clerical and unintentional, without any mala fide intent.
d) The Noticee has obtained intellectual property applications from the issuer company.

15.3.13. I note that the Noticee failed to carry out proper due diligence and the reply submitted by the Noticee, wherein it was mentioned that the disclosures were based on the issuer's submissions, the Noticee had not independently verified the data disclosed in the offer document and the explanation that the discrepancies were clerical errors is not acceptable.

15.3.14. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (9) (A) (2) (b) of ICDR Regulations.

15.4. **Educational qualification and experience of promoters/ directors**

15.4.1. During inspection it was observed that Noticee failed to provide supporting documents for disclosures made in DRHPs w.r.t. qualification and Experience Certificate of Directors/KMPs. Therefore, it was alleged that Noticee violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

15.4.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 24(2)(b) r/w Schedule VI, Part A (10)(F)(a)(i) of the ICDR Regulations prescribes disclosures relating to directors and key managerial personnel. Regulation 13 r/w Clauses 4, 7 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

15.4.3. I note that during inspection it was observed that the Noticee had not obtained any supporting documents regarding the educational qualifications stated for the members of the Board of Directors i.e. Rahul Sawhney, Bindu Sawhney, Megha Chawla. The Noticee had obtained declarations on plain paper stating that the educational qualification certificates of the said directors were missing for various reasons. Further, the Noticee did not obtain copies of any FIRs concerning the missing certificates. Further, the Noticee had not obtained experience certificates supporting the experience of the directors mentioned in the offer document.

15.4.4. I observe that in the instant case the Noticee failed to verify the claims, as it did not obtain supporting documents substantiating the disclosures made in the offer document w.r.t. qualifications/work experience of directors/ KMPs.

15.4.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 245(1) and (3) of the ICDR Regulations, and Regulation 24(2)(b) r/w Schedule VI, Part A (10) (F) (a) (i) of ICDR Regulations.

16. **SME IPO of United Heat Transfer Limited**

16.1. **Site Visit.**

16.1.1. During inspection it was observed that Noticee failed to provide supporting documents substantiating site visit of issuer company by Noticee, thereby allegedly violated Regulation 245(1)(d) of ICDR Regulations, Regulation 13 r/w Schedule III(4) of MB Regulations r/w Regulation 9A(1)(e) of MB Regulations.

16.1.2. I note that Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

16.1.3. I note that during the inspection Noticee was asked to provide site visit report containing premises of issuer company, date of site visit, mode of travel, checklist, documents collected, geotagged photographs etc. However, Noticee provided a report which was unsigned dated 11/04/2024 whereas photograph at site visit was dated 14/04/2024 further Noticee had no supporting evidence to substantiate details of site visit.

16.1.4. I observe that the site visit claimed to have been conducted by the Noticee is doubtful and lacks supporting evidence.

16.1.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4) of MB Regulations and Regulation 9A(1)(e) of MB Regulations.

16.2. **Checking wilful defaulter list**

16.2.1. During inspection it was observed that Noticee had not checked databases relating to wilful defaulters and fugitive economic offenders, thereby allegedly violated Regulation 13 r/w Schedule III (3) and (4) of MB Regulations and Regulation 9A(1)(e) of MB Regulations.

16.2.2. I note that Regulation 13 r/w Clauses 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to fulfil its obligations in a prompt, ethical and professional manner, exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

16.2.3. I note that during inspection it was observed that the Noticee had not independently verified the wilful-defaulter list. Further, the Noticee did not have watch out investors subscription to check directors details w.r.t. list of willful defaulter, fugitive economic offender list.

16.2.4. In reply to the SCN, Noticee submitted that based on the Legal Report provided by the Advisor, disclosures were made in the offer document. Therefore, I observe that Noticee did not independently check databases relating to wilful defaulters and fugitive economic offenders

16.2.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (3) and (4) of MB Regulations and Regulation 9A(1)(e) of MB Regulations.

16.3. **Inadequate/inaccurate disclosures in the DRHP**

16.3.1. During inspection it was observed that Noticee had made inadequate/ inaccurate disclosures in the DRHP and thereby allegedly violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1 and 3.2) of Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

16.3.2. I note that Regulations 245(1) and (3) of the ICDR Regulations require due diligence concerning all aspects of the issue, including the veracity and adequacy of disclosures in the offer document. Regulation 16 r/w Points III(3.1) and III(3.2) of Schedule III of the Intermediaries Regulations prescribes the applicable standards of conduct. Regulation 13 r/w Clauses 4, 7, 20 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims; not make untrue statements or suppress material facts in information furnished to SEBI. Regulation 9A(1)(e)

of the MB Regulations requires compliance with applicable regulatory requirements.

16.3.3. I note that with regard to outstanding litigations on page no 15 of DRHP it was mentioned that no outstanding litigations pending against issuer company promoters/ directors however, on page 21 mentioned that 11 legal cases pending against the company and five cases against group companies. Further, state–wise revenue breakup disclosed on Page 114 of the RHP contains inaccurate figures for the periods ending July 2024, March 2024 and March 2023, respectively w.r.t. the state of Maharashtra. Further, the figures disclosed at Page20 of the DRHP of the state-wise revenue break-up do not match the figures disclosed on Page 114.

16.3.4. In reply to the SCN, Noticee had admitted that due to clerical error figures were inadvertently misstated.

16.3.5. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1 and 3.2) of Schedule III of Intermediaries Regulations, and Regulation 245(1) and (3) of the ICDR Regulations.

17. **Takeover offer of Shalimar Paints Limited**

17.1. **Non availability of supporting documents**

17.1.1. During inspection it was observed that Noticee had failed to provide certain supporting documents for disclosures made in draft letter of offer, thereby allegedly violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

17.1.2. I note that Regulation 13 r/w Clauses 2, 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to maintain high standards of integrity and fairness; fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

17.1.3. I note that the Noticee, in paragraph 4.1.3 of the Draft Letter of Offer, inter alia disclosed that Hella Infra operates under the brand name of Infra.Market. However, it did not have any supporting documents to substantiate such

disclosure. Further, with regard to educational qualifications and experience of directors, promoters of the acquirer as well as the target company, mentioned in the Letter of Offer, the Noticee did not have any supporting documents to substantiate such disclosures made in the Letter of Offer.

17.1.4. I note that the Noticee merely relied on résumé/CV provided by the company and the same was not independently verified by the Noticee.

17.1.5. In view of the above, I find that the Noticee violated Regulation 13 r/w Schedule III (2), (3) and (4) of MB Regulations, and Regulation 9A(1)(e) of the MB Regulations.

17.2. **Checking wilful defaulter list**

17.2.1. During inspection it was observed that Noticee had not checked databases relating to wilful defaulters and fugitive economic offenders, thereby allegedly violated Regulation 13 r/w Schedule III (3) and (4) of MB Regulations and Regulation 9A(1)(e) of MB Regulations.

17.2.2. I note that Regulation 13 r/w Clauses 3, 4 of Schedule III of the MB Regulations requires the Merchant Banker to fulfil its obligations in a prompt, ethical and professional manner; exercise due diligence, ensure proper care and exercise independent professional judgment. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

17.2.3. I note that during inspection it was observed that the Noticee had not independently verified the wilful-defaulter list. Further, the Noticee did not have watch out investors subscription to check directors details w.r.t. list of willful defaulter, fugitive economic offender list.

17.2.4. In reply to the SCN, Noticee submitted that based on the Legal Report provided by the Advisor, disclosures were made in the offer document. Therefore, I observe that Noticee did not independently check databases relating to wilful defaulters and fugitive economic offenders

17.2.5. In view of the above I find that Noticee violated Regulation 13 r/w Schedule III (3) and (4) of MB Regulations and Regulation 9A(1)(e) of the MB Regulations.

17.3. **Non-disclosure of administrative warning letter issued by SEBI**

17.3.1. During inspection it was observed that Noticee had not disclosed the administrative warning letter issued by SEBI in the Letter of Offer, thereby allegedly violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB

Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1) of Schedule III of Intermediaries Regulations, and Regulation 16(1) of SAST Regulations.

17.3.2. I note that Regulation 16(1) of the SAST Regulations requires the manager to the open offer to exercise due diligence and ensure compliance with the applicable requirements. Regulation 16 r/w Point III(3.1) of Schedule III of the Intermediaries Regulations prescribes the applicable standards of conduct. Regulation 13 r/w Clauses 4, 7, 20 of Schedule III of the MB Regulations requires the Merchant Banker to exercise due diligence, ensure proper care and exercise independent professional judgment; ensure that information provided is true and adequate and does not contain misleading or exaggerated claims; not make untrue statements or suppress material facts in information furnished to SEBI. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

17.3.3. I note that the Managing Director of the Target Company was issued an administrative warning letter by SEBI in respect of its violations pertaining to Insider Trading Regulation. The said warning letter was dated 15/01/2024. However, no such disclosure was made in the final Letter of Offer dated 30/01/2024.

17.3.4. In the instant case, although the Noticee had knowledge of SEBI's administrative warning to the Managing Director of the Target Company, the same was not disclosed.

17.3.5. In reply to the SCN, Noticee submitted that an administrative warning is advisory in nature, issued without any adjudication, penalty, or directions, and does not impose any continuing obligation or restriction on the individual concerned.

17.3.6. In my view, the non-punitive or advisory character of the warning is not determinative of whether it required disclosure. The warning concerned the Managing Director of the Target Company and a securities-law matter, and was known before the final Letter of Offer. The Noticee was therefore required to assess its materiality and ensure that the Letter of Offer contained true, fair and adequate information. Merely characterising the warning as advisory, without demonstrating such assessment, does not discharge the due-

diligence obligation. Therefore, the aforesaid contention of the notice is not tenable.

17.3.7. In view of the above, I find that Noticee violated Regulation 13 r/w Schedule III (4), (7) and (20) of MB Regulations, Regulation 9A(1)(e) of the MB Regulations, Regulation 16 r/w point III (3.1) of Schedule III of Intermediaries Regulations, and Regulation 16(1) of SAST Regulations.

18. **Additional Observation During Inspection**

18.1. **Investor Grievances**

18.1.1. During inspection it was observed that the Noticee had not uploaded the Investor Charters for categories such as rights issues, QIPs, SME IPOs, FPOs, OFS and SAST matters on its website, complaints data as required under SEBI Circular dated November 23, 2021 was not available on the website of Noticee and the Noticee had made a misstatement in its initial reply to the observations and had complied belatedly.

18.1.2. In view of the above, it was alleged that Noticee violated Para 9.2 and 9.3 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and Regulation 13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.1.3. I note that during inspection it was observed that the Investor Charters for categories such as rights issues, QIPs, SME IPOs, FPOs, OFS and SAST matters were not uploaded on its website. Disclosure of complaints data as required under SEBI Circular dated November 23, 2021 was not available on the website of MB.

18.1.4. The MB in its reply to the observation submitted that now they have uploaded Investor Charters for the categories mentioned in the observation. Further, Noticee submitted that the observation regarding non-disclosure of complaints data is noted.

18.1.5. However, during inspection, a review of the link provided showed that no details or complaints data had been uploaded by the Noticee.

18.1.6. In view of the above, I find that Noticee violated Para 9.2 and 9.3 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and

Regulation 13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.2. **Track Record disclosure by MB on its website**

18.2.1. During inspection it was observed that the Noticee had failed to disclose the complete track record of all public issues handled during the preceding three financial years, as the information disclosed was inadequate. The Noticee had made a misstatement in its initial reply to the observations and had complied belatedly. Therefore, it was alleged that Noticee violated Para 8 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and Regulation 13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.2.2. I note that Paragraph 8 of the SEBI Master Circular for Merchant Bankers dated September 26, 2023 prescribes disclosure, in the specified format, of the track record of public issues managed by a Merchant Banker on its website. Regulation 13 r/w Clause 21 of Schedule III of the MB Regulations requires the Merchant Banker to comply with applicable regulatory requirements. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

18.2.3. I note that during inspection, it was noted that the track records of the public issues managed by the Noticee were incomplete in several respects, including the basis of issue price, trading status and financial parameters of the issuer

18.2.4. The Noticee, in its reply to the observation, submitted that the observation regarding incomplete disclosure of track record of public issues is noted. While disclosures were made on its website for the last three financial years, certain details, including basis of issue price, trading status, and financial parameters of the issuer, were not comprehensively included.

18.2.5. However, during inspection, a review of the link provided showed that neither the required details nor the track records of the public issues had been uploaded by the Noticee.

18.2.6. In view of the above, I find that Noticee violated Para 8 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and Regulation

13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.3. **Merchant Banker Certification Requirements**

18.3.1. During inspection it was observed that Noticee did not have any compliance officer for a period of 20 days i.e. from 10/05/2023 to 30/05/2023, thereby, allegedly violated Regulation 28A (1) of MB Regulations.

18.3.2. I note that Regulation 28A(1) of the MB Regulations requires a Merchant Banker to appoint a Compliance Officer for monitoring compliance with the SEBI Act, rules, regulations and directions issued by SEBI.

18.3.3. I note that during inspection it was noted that the Noticee did not have any compliance officer for a period of 20 days i.e. from 10/05/2023 to 30/05/2023.

18.3.4. The Noticee, in its reply to the SCN submitted that the resignation of the previous Compliance Officer and the appointment of the new Compliance Officer were effected on the same date, i.e., 09/05/2023. However, the Noticee did not provide any documentary evidence in support of its reply.

18.3.5. According to the details provided by the Noticee during inspection, Mohit Goyal was “Manager till 31/05/2023”. His designation was changed to Compliance Officer on May 31, 2023.

18.3.6. In view of the above, I find that Noticee violated Regulation 28A (1) of MB Regulations.

18.4. **Email ID for regulatory communications**

18.4.1. During inspection it was observed that the email ID merchantbanking@swastika.co.in was not used exclusively for regulatory communications, and the Noticee thereby allegedly violated Para 4 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/ 2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and Regulation 13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.4.2. I note that Paragraph 4 of the SEBI Master Circular for Merchant Bankers dated September 26, 2023 prescribes a designated email ID for regulatory communications. Regulation 13 r/w Clause 21 of Schedule III of the MB Regulations requires the Merchant Banker to comply with applicable

regulatory requirements. Regulation 9A(1)(e) of the MB Regulations requires compliance with applicable regulatory requirements.

18.4.3. I note that during inspection it was observed that the email ID designated for regulatory communications, i.e., merchantbanking@swastika.co.in, was not used exclusively for regulatory communications but was also used for other communications such as investor grievances and communication with financial institutions.

18.4.4. In reply to the SCN, Noticee submitted that it had taken corrective steps in this regard.

18.4.5. In view of the above, I find that Noticee violated Para 4 of the SEBI Master Circular for Merchant Bankers SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, Regulation 9A(1)(e) of MB Regulations and Regulation 13 r/w Clause 21 of Schedule III (Code of Conduct for Merchant Bankers) of the MB Regulations.

18.5. **Compliance with PIT Regulations during inspection period**

18.5.1. During inspection, the following was observed:

a) The Noticee had not formulated the Code of Conduct as required under Regulation 9(1) r/w Schedule C of the PIT Regulations.

b) No Compliance Officer had been designated to monitor compliance under the PIT Regulations.

c) With regard to maintenance of SDD

   i) The Noticee did not have SDD software prior to October 23, 2024 and no entries in SDD software were made.

   ii) the designated persons list in SDD was neither complete nor updated.

   iii) The names of the KMPs were also not included in the list of designated persons in the SDD

18.5.2. I note that the Noticee accepted the aforementioned observations of the inspection team vide submission dated July 8, 2025**.** The Noticee, in its reply, to the SCN submitted that it had formulated the Code of Conduct and appointed a Compliance Officer for monitoring compliance under the PIT Regulations. The Noticee further submitted that SDD entries were being made and that the list of designated persons had been updated.

18.5.3. The Noticee, in its reply, submitted that it had formulated the Code of Conduct and appointed a Compliance Officer. However, no proof in this regard was provided. Further, as stated by the Noticee, the formulation of the Code of Conduct and appointment of a Compliance Officer after issuance of the inspection observations do not negate the Noticee's non-compliance with Regulation 9(1) and Regulation 9(3) r/w Schedule C of the PIT Regulations during the inspection period.

18.5.4. I note that Regulation 3(5) of the PIT Regulations requires every person handling unpublished price sensitive information to maintain an internal structured digital database containing the prescribed details, supported by controls such as time-stamping and audit trails. Regulation 9(1) r/w Schedule C requires an intermediary to formulate a code of conduct to regulate, monitor and report trading by designated persons, and Regulation 9(3) requires designation of a Compliance Officer to administer the code and other requirements.

18.5.5. Further, the entry and maintenance of information in the SDD under Regulation 3(5) of the PIT Regulations is a time-sensitive compliance requirement. Hence, I observe that during the inspection period the Noticee was non-compliant with Regulation 3(5) of the PIT Regulations.

18.5.6. In view of the above, I find that Noticee violated Regulations 3(5), 9(1) and 9(3) of the PIT Regulations r/w Schedule C of PIT Regulations, Regulation 9A(1)(e) of MB Regulations and Regulation 13 r/w Clause 21 of Schedule III of MB Regulations.

18.6. **Maintenance of arm's length relationship**

18.6.1. During inspection it was observed that the Merchant Banking division of the Noticee did not have a firewall for email communications and thereby allegedly violated Regulation 13 r/w Clause 18 of Schedule III of MB Regulations.

18.6.2. I note that Regulation 13 r/w Clause 18 of Schedule III of the MB Regulations requires the Merchant Banker to maintain an arm's length relationship between merchant banking and other activities. During the inspection it was noted that the MB division of Swastika did not have firewall/ authentication checks for the emails communicated from MB division to other divisions of Swastika Investmart.

18.6.3. In reply to the SCN, Noticee submitted that pursuant to inspection they have taken corrective steps.

18.6.4. In view of the above, I find that Noticee violated Regulation 13 r/w Clause 18 of Schedule III of MB Regulations.

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty u/s 15HB of SEBI Act?

19. In view of the violations as established above, I find that this is a fit case for penalty u/s 15HB of the SEBI Act, which reads as given below:

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.*

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

20. While determining the quantum of penalty u/s 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

21. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticee. As SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. Therefore, non-compliances/ violations by the Noticee deserves

and attracts suitable penalty. As per available records, penalty has been imposed by SEBI against the Noticee in the past.

ORDER

22. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me u/s 15-I of the SEBI Act r/w Rule 5 of the Adjudication Rules, I hereby impose penalty of Rs. 10,00,000 (Rupees Ten Lakhs only) for the violations, as established in this order. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.
23. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

    ENFORCEMENT → Orders → Orders of AO → PAY NOW

    In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.
24. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 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.
25. In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticee and also to SEBI.

Place: Mumbai **AMIT KAPOOR**

Date: November 04, 2026 **ADJUDICATING OFFICER**