BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/AK/BK/2026-27/32841-32844]

U/S 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:

Noticee No.	Noticee Name	PAN
1	Som Distilleries and Breweries Ltd	AABCS3374B
2	Jagdish Kumar Arora	AAPPA8546E
3	Nakul Kam Sethi	AWSPS1162K
4	Om Prakash Singh	AVDPP6975H

In the matter of

Som Distilleries and Breweries Ltd

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1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) carried out an investigation in the matter of Som Distilleries and Breweries Limited (hereinafter referred to as (**"Company"/"Noticee 1"**), a company listed on the Bombay Stock Exchange ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"), to ascertain whether the books of account of Noticee 1 were manipulated or misrepresented, in violation of the provisions of the SEBI Act, 1992 (hereinafter referred to as **'SEBI Act'**) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ***(***hereinafter referred to as ***"*LODR Regulations")**. The investigation covered the period from FY 2021 to FY 2024 (hereinafter referred to as the "**Investigation Period**" or "**IP**").
2. During the investigation, it was observed that Noticee 1 and its officials, viz., Jagdish Kumar Arora (Chairman and MD) ("**Noticee 2**"), Nakul Kam Sethi (Whole-Time Director) ("**Noticee 3**"), and Om Prakash Singh (Company Secretary) **("Noticee 4")** (hereinafter collectively referred to as the **"Noticees"**) had allegedly violated various provisions of the SEBI Act and the LODR Regulations.

3. It was found, inter alia, that Noticee 1 had extended a corporate guarantee of ₹21.36 crore in favour of State Bank of India **("SBI")** on behalf of Aryavrat Projects and Developers Private Limited **("APDPL")**, a related party; that Woodpecker Distilleries and Breweries Private Limited **("WDBPL")**, then a wholly-owned subsidiary of Noticee 1, had undertaken a rights issue resulting in the reduction of Noticee 1's shareholding from 100% to 78.87%; and that the statutory approvals stipulated under the LODR Regulations had allegedly not been obtained. The investigation further examined the corresponding responsibility of Noticees 2 and 3 as directors and of Noticee 4 as the Compliance Officer.

Appointment of Adjudicating Officer

4. SEBI, vide communique dated February 20, 2026, appointed the undersigned as the Adjudicating Officer u/s 19 r/w 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge u/s 15HB of SEBI Act, the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice (hereinafter referred to as the "SCN") dated March 24, 2026, was issued to the Noticees in terms of Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why a penalty, if any, should not be imposed upon them u/s 15HB of the SEBI Act for the alleged violations.

6. The following allegations were made against the Noticees in the SCN:

6.1 **Allegation 1 –** Noticee 1 had, during financial year 2020-21, provided a corporate guarantee of ₹21.36 crore to SBI for credit facilities availed by APDPL. APDPL was disclosed as a related party under Indian Accounting Standard 24 **("IND AS 24")** as an enterprise over which key managerial personnel of Noticee 1 could exercise significant influence. Noticee 1 had also awarded civil contracts aggregating to ₹14.40 crore to APDPL. The corporate guarantee remained outstanding during the Investigation Period. Noticee 1 allegedly failed to obtain prior approval of its Audit Committee for the said related party transaction. It was further alleged that the

request made by Noticee 1 to its banker in June 2024 for reduction of the exposure to APDPL by 50% and waiver of the guarantee constituted a material modification for which prior approval of the Audit Committee was also not obtained. Noticee 1 was, therefore, alleged to have violated Regulation 23(2) of the LODR Regulations.

6.2 **Allegation 2 –** WDBPL contributed 43.12% and 47.34% of the consolidated revenue of Noticee 1 during financial years 2021-22 and 2022-23, respectively, and consequently qualified as an "undertaking" for the purposes of Section 180(1)(a) of the Companies Act, 2013 r/w the Explanation to Regulation 37A of the LODR Regulations. In financial year 2023-24, WDBPL made a rights issue. Noticee 1 subscribed to 50 lakh shares for ₹10 crores and renounced the remaining entitlement in favour of Noticee 2, who subscribed to 1 crore shares for ₹20 crores, and Deepak Arora, another promoter of Noticee 1, who subscribed to 50 lakh shares for ₹10 crores. Consequently, Noticee 1's shareholding in WDBPL got reduced from 100% to 78.87%, i.e., by 21.13%. It was alleged that the transaction amounted to disposal of substantially the whole of the undertaking without prior approval by a special resolution, without the approval of a majority of the public shareholders voting on the resolution, and without the requisite explanatory disclosures. Noticee 1 was accordingly alleged to have violated Regulation 37A of the LODR Regulations.

6.3 Noticees 2 and 3, being members of the Board and persons in charge of the business of Noticee 1, failed to ensure a sound compliance framework and failed to exercise due diligence, good faith and care in relation to the aforesaid transactions. They were alleged to have violated Regulations 4(2)(f)(ii)(2) and (7), 4(2)(f)(iii)(3), (6) and (12) of the LODR Regulations r/w Sections 27(1) and (2) of the SEBI Act.

6.4 Noticee 4, being the Company Secretary and Compliance Officer, failed to ensure conformity with the applicable regulatory provisions in letter and spirit and failed to discharge the compliance responsibilities attached to his office. He was alleged to have violated Regulations 6(2)(a) and 6(2)(c) of the LODR Regulations r/w Section 27 of the SEBI Act.

7. The SCN was sent to the Noticees through Speed Post AD and email on March 24, 2026.

8. Vide email dated April 22, 2026, the Noticees sought inspection of documents. The request was acceded to and the inspection of documents was granted and conducted on May 07, 2026 through the Authorized Representative **("AR")** of the Noticees.
9. The Noticees submitted their common reply vide letter dated April 22, 2026. Subsequently, Noticee 4, submitted a separate reply vide email dated April 06, 2026.
10. Pursuant to the scheduling of a personal hearing for the Noticees, the aforesaid AR, vide email dated August 20, 2026, clarified that they were representing Noticees 1 to 3. Accordingly, the common reply dated April 22, 2026 is being considered as the submissions of Noticees 1 to 3. The reply submitted by Noticee 4 is considered independently.
11. The submissions made by the Noticees in response to the allegations in the SCN are summarised below:

Violation 1 *– Corporate guarantee issued on behalf of APDPL*

11.1Noticees 1 to 3 submitted that Regulation 2(1)(zc) of the LODR Regulations defines a related party transaction as a transaction involving a transfer of resources, services or obligations. According to them, the corporate guarantee issued by Noticee 1 in favour of SBI did not involve any actual transfer of resources, services or obligations. It was further submitted that a liability would arise only if APDPL defaulted in repayment of the credit facilities, the corporate guarantee was invoked by SBI and Noticee 1 was consequently required to make payment. Since the corporate guarantee was never invoked and was ultimately discharged without any liability crystallising upon Noticee 1, Noticees 1 to 3 contended that the corporate guarantee did not constitute a related party transaction.

11.2Noticees 1 to 3 further relied upon the special resolutions passed by the shareholders of Noticee 1 on September 30, 2016 and March 26, 2019 u/s 186 of the Companies Act, 2013. The said resolutions authorised loans, guarantees, securities and investments up to ₹200 crore and ₹500 crore, respectively.

11.3Noticees 1 to 3 also relied upon the resolution dated June 1, 2020 passed by the Executive Legal and Borrowing Committee ("ELBC"). It was submitted that two out of the three members of the ELBC were also members of the Audit Committee. According to them, the Audit Committee would therefore have taken the same view as the ELBC.

11.4 Noticees 1 to 3 submitted that the corporate guarantee was disclosed in the annual reports of Noticee 1, the exposure declined over time and the corporate guarantee stood terminated as on March 31, 2025. It was therefore contended that no loss was caused to Noticee 1 or its shareholders.

11.5 In relation to the alleged material modification, Noticees 1 to 3 submitted that the communication made to SBI in June 2024 merely sought reduction of the credit exposure to APDPL and waiver of the corporate guarantee. According to them, the request was intended to reduce the exposure of Noticee 1 and could not be treated as a material modification requiring prior approval of the Audit Committee.

11.6Noticee 4 submitted that during his tenure as Company Secretary and Compliance Officer, he exercised due diligence in carrying out the compliances of Noticee 1 and endeavoured to inform the management in advance about the applicable compliance requirements. He further submitted that the corporate guarantee referred to in the SCN was issued without his knowledge. He stated that upon becoming aware of the transaction through his own scrutiny, he advised the management, including Noticee 3, who was his immediate reporting manager, to take preventive action.

11.7Noticee 4 further submitted that he would not have advised the management to issue such a corporate guarantee without following the applicable corporate compliance requirements. He further stated that corporate guarantees were given to wholly-owned companies and, according to him, did not result in any financial or non-financial outflow outside the Company. He further submitted that approvals of the Audit Committee, Board and shareholders were subsequently obtained after he apprised and persuaded the management regarding the regulatory requirements, including, in certain cases, by way of abundant caution.

11.8 Noticee 4 further submitted that he took initiatives to regularise the defaults by obtaining the requisite approvals from the Audit Committee, Board and shareholders at a later stage.

***Violation 2** - Dilution of the shareholding in WDBPL by Noticee 1*

11.9Noticees 1 to 3 submitted that the shareholding of Noticee 1 in WDBPL was reduced from 100% to 78.87% only because Noticee 1 subscribed to a part of its rights entitlement and renounced the remaining entitlement in favour of the promoters. It was contended that a

decision not to subscribe to the entire rights entitlement could not be equated with a sale, lease or other disposal of the whole or substantially the whole of an undertaking.

11.10 Noticees 1 to 3 submitted that a rights entitlement did not confer proprietary ownership in the shares until the shares were allotted. According to them, dilution pursuant to a fresh issue of shares by a subsidiary was distinct from an affirmative transfer or conveyance of an existing asset held by the listed entity.

11.11 It was further submitted that Noticee 1 continued to hold 78.87% of WDBPL and retained majority ownership and operational control over it. Therefore, according to Noticees 1 to 3, there was no disposal of WDBPL or its undertaking.

11.12 Noticees 1 to 3 also relied upon commercial necessity. It was submitted that the proposed qualified institutions placement of Noticee 1 did not materialise in October 2023 and that an immediate equity infusion of ₹40 crore was required to prevent a ₹70 crore capital expenditure programme of WDBPL from stalling. It was submitted that the promoters infused ₹30 crore into WDBPL at a price of ₹20 per share, which was higher than the stated fair market value of ₹17 per share. The transaction was therefore stated to be commercially beneficial to WDBPL and Noticee 1.

Submissions regarding Regulation 37A(2)

11.13 Noticees 1 to 3 placed particular reliance upon the second proviso to Regulation 37A(2) of the LODR Regulations.

11.14 It was submitted that the said proviso requires compliance with Regulation 37A(1) before dilution below 100% only in a wholly-owned subsidiary "to which the whole or substantially the whole of the undertaking of such listed entity was transferred".

11.15 Noticees 1 to 3 contended that no undertaking of Noticee 1 had ever been transferred to WDBPL. According to them, WDBPL carried on a separate and self-created business. Therefore, the condition contained in the second proviso to Regulation 37A(2) was not satisfied.

11.16 On the aforesaid basis, Noticees 1 to 3 submitted that Regulation 37A was inapplicable to the reduction of the shareholding of Noticee 1 in WDBPL. It was further submitted that the application of Regulation 37A to the renunciation of a rights entitlement was, at the least, ambiguous. Relying upon the judgments in Tolaram Relumal v. State of Bombay and SEBI

v. Sunil Krishna Khaitan, CapitalviaGlobal Research Limited v. SEBI, Noticees 1 to 3 submitted that penal provisions must be strictly construed and that no penalty could be imposed where two reasonable interpretations were possible.

11.17 *Noticee 4, in his separate reply, submitted that the reduction in the shareholding of Noticee 1 arose from a rights issue and renunciation approved by the Board. According to him, the applicable requirements had been complied with.*

Responsibility of Noticees 2 and 3

11.18 *Noticees 2 and 3 submitted that their liability u/s 27 of the SEBI Act was derivative and vicarious.*

11.19 *According to Noticees 2 and 3, since Noticee 1 had not committed any underlying contravention of Regulation 23(2) or Regulation 37A of the LODR Regulations, no liability could be attributed to them u/s 27 of the SEBI Act.*

Responsibility of Noticee 4

11.20 *Noticee 4 submitted that as a Compliance Officer, he could advise the management and his reporting manager regarding the applicable compliance requirements. However, he was not in a position to compel the management to obtain approvals or complete compliances where the compliance function was not consulted or involved before the relevant decision was taken.*

11.21 *Noticee 4 submitted that he made efforts to guide the management regarding preventive measures and regulatory compliances whenever his advice was sought and whenever a possible non-compliance came to his knowledge through scrutiny or internal review.*

11.22 *Noticee 4 submitted that corporate decisions were ultimately approved or rejected by the Board or shareholders through voting. According to him, the role of the Company Secretary was advisory and procedural, and a Company Secretary did not participate in voting or commercial decision-making.*

11.23 *Noticee 4 contended that he could not be held responsible for decisions taken solely by the Board or management without his knowledge, or where the decision was contrary to his advice or professional opinion.*

11.24 *Noticee 4 further submitted that he tendered his resignation to Noticee 3, with a copy to the head of human resources, in the first week of January 2026, with the resignation becoming effective at the end of the second week of February 2026, on account of personal*

and health reasons. He further submitted that he requested the management to disclose his resignation to the stock exchanges and file the requisite form with the Registrar of Companies, but no action was taken by Noticee 1.

11.25 Noticee 4 also submitted that his remuneration had not been paid from January 2026 and that his full and final settlement had not been completed. He further alleged that he had faced inappropriate conduct and non-cooperation from his reporting manager.

11.26 Noticee 4 therefore requested that a compliance professional should not be penalised for actions taken by the management without his knowledge or contrary to his advice.

12. In the interest of natural justice, an opportunity of personal hearing was provided to the Noticees on September 22, 2026. On the aforesaid date, the ARs of Noticees 1 to 3 and Noticee 4 appeared independently and were heard separately.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

13. 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 the Noticees have 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?

14. Before proceeding further, it is appropriate to refer to the provisions alleged to have been violated by the Noticees:

Relevant provisions of LODR Regulations

Principles governing disclosures and obligations.

4(2) *The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below*

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

(ii) Key functions of the board of directors-

(2) *Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.*

(7) *Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.*

(iii) Other responsibilities*:*

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

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

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

Compliance Officer and his /her Obligations.

6(2) *The compliance officer of the listed entity shall be responsible for-*

(a)*ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.*

(c)*ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.*

Related party transactions.

23. (2) *All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:*

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

(a) *the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;*

(b) *a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction, exceeds the lower of the following:*

(i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or

(ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations.

37A. Sale, lease or disposal of an undertaking outside Scheme of Arrangement

(1) *A listed entity carrying out sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of such entity or where it owns more than one undertaking, of the whole or substantially the whole of any of such undertakings, shall -*

(a) *take prior approval of shareholders by way of special resolution;*

(b) *disclose the object of and commercial rationale for carrying out such sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the entity, and the use of proceeds arising therefrom, in the statement annexed to the notice to be sent to the shareholders:*

Provided that such a special resolution shall be acted upon only if the votes cast by the public shareholders in favour of the resolution exceed the votes cast by such public shareholders against the resolution:

Provided further that no public shareholder shall vote on the resolution if he is a party, directly or indirectly, to such sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the listed entity.

Explanation. —For the purposes of this regulation, the terms "undertaking" and "substantially the whole of the undertaking" shall have the same meaning as assigned to them under clause (a) of sub-section (1) of section 180 of the Companies Act, 2013.

FINDINGS

15. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, I record my findings as under:

ISSUE I: Whether the Noticees have violated the provisions mentioned in the SCN?

16. **Alleged Violation 1** – Corporate guarantee issued on behalf of APDPL and subsequent material modification without prior approval of the Audit Committee

16.1 It has been alleged that Noticee 1 extended a corporate guarantee of ₹21.36 crore in favour of SBI on behalf of APDPL during financial year 2020-21, which remained outstanding through financial year 2023-24, without obtaining prior approval of its Audit Committee. It was further alleged that Noticee 1 subsequently approached its banker in June 2024 seeking reduction of the credit exposure to APDPL by 50% and waiver of the corporate guarantee, which constituted a subsequent material modification undertaken without prior approval of the Audit Committee.

16.2 It is pertinent to note that Regulation 23(2) of the LODR Regulations, as applicable, required all related party transactions and subsequent material modifications to receive prior approval of the Audit Committee of the listed entity. The material issue for determination is whether the issuance of the corporate guarantee constituted a related party transaction within the meaning of Regulation 2(1)(zc) of LODR

Regulations and, if so, whether the approvals relied upon by the Noticees satisfied the requirement of Regulation 23(2) of LODR Regulations.

16.3 It is undisputed that APDPL was disclosed as a related party of Noticee 1 under IND AS 24 on the basis that the key managerial personnel of Noticee 1 were able to exercise significant influence over it. It is also undisputed that Noticee 1 executed the corporate guarantee of ₹21.36 crore in favour of SBI to secure the credit facilities extended to APDPL and that the guarantee remained outstanding during the Investigation Period.

16.4 The principal submission raised by Noticees 1 to 3 is that Regulation 2(1)(zc) of LODR Regulations defines a related party transaction with reference to a *"transfer of resources, services or obligations"* and that issuance of a corporate guarantee did not involve an actual transfer of resources because the guarantee was never invoked by SBI.

16.5 I find that the aforesaid contention proceeds on an incorrect conflation of the creation or assumption of an obligation with the subsequent discharge or payment of that obligation. The expression employed in Regulation 2(1)(zc) is not confined to an immediate transfer of funds. It expressly includes a transfer of *"obligations"*.

16.6 In this regard, I note that Section 126 of the Indian Contract Act, 1872 (**"IC Act"**) defines a contract of guarantee as a contract to perform the promise or discharge the liability of a third person in case of default. Further, Section 128 of the IC Act provides that the liability of the surety is co-extensive with that of the principal debtor unless otherwise provided by the contract. Therefore, upon execution of the guarantee, Noticee 1 assumed an enforceable contingent obligation in respect of the credit facilities availed by APDPL. The guarantee exposed the financial resources and credit standing of Noticee 1 to the repayment risk associated with APDPL. The fact that the contingent obligation did not ultimately crystallise into an immediate payment liability does not mean that no obligation was assumed when the guarantee was executed.

16.7 I am of the view that invocation of the guarantee would result in crystallisation of the contingent liability into an immediate payment liability. Invocation does not

determine whether an obligation existed before that stage. The relevant obligation was created when Noticee 1 contractually undertook to discharge the liability of APDPL in the event of default.

16.8 This interpretation is consistent with IND AS 24. The expression *"transfer of resources, services or obligations*" appearing in Regulation 2(1)(zc) of LODR Regulations corresponds with the language employed in IND AS 24 for identifying related party transactions. Paragraph 21(h) of IND AS 24 specifically includes *"provision of guarantees or collateral"* within the examples of transactions requiring disclosure if they are with a related party.

16.9 Ind AS 24 therefore recognises the provision of a guarantee as a related party transaction from the stage at which the guarantee is provided. Its classification is not deferred until the guarantee is invoked.

16.10 In my view, the interpretation advanced by the aforesaid Noticees would also render the requirement of "prior approval" under Regulation 23(2) of LODR Regulations unworkable. The scrutiny contemplated under Regulation 23(2) of LODR Regulations is preventive and ex ante. It is intended to ensure that the Audit Committee examines the related party character, commercial rationale and financial exposure before the listed entity becomes contractually bound. If the requirement of approval arose only when the guarantee was invoked, the listed entity would already be contractually exposed under an instrument executed earlier. Approval obtained at that stage could not undo the obligation already assumed in favour of the beneficiary bank. Accordingly, such an interpretation would defeat the purpose of requiring prior Audit Committee approval.

16.11 The Audit Committee was required to evaluate the corporate guarantee before Noticee 1 exposed its financial resources and credit standing for the benefit of APDPL. In my view, the subsequent non-invocation of the guarantee does not cure the failure to obtain such prior scrutiny.

16.12 Noticees 1 to 3 have relied upon special resolutions passed by the shareholders u/s 186 of the Companies Act, 2013 on September 30, 2016 and March 26, 2019, authorising loans, guarantees, securities, etc. up to ₹200 crores and ₹500 crores,

respectively. In this regard, I find that the approvals u/s 186 of the Companies Act, 2013 and the approval required under Regulation 23(2) operate in different statutory fields, are granted by different corporate organs and serve distinct regulatory purposes.

16.13 The resolutions passed u/s 186 provided an enabling aggregate authorisation for extending loans, guarantees, securities and investments within the sanctioned limit. They did not constitute transaction-specific consideration and prior approval of the corporate guarantee by the Audit Committee under Regulation 23(2) of LODR Regulations. I am of the view that a general shareholder authorisation u/s 186 of the Companies Act, 2013 cannot substitute the mandatory prior approval of the Audit Committee under Regulation 23(2) of the LODR Regulations.

16.14 Noticees 1 to 3 have also relied upon the resolution dated June 1, 2020 passed by the ELBC. They have submitted that two out of the three members of the ELBC were also members of the Audit Committee and that the Audit Committee would therefore have taken the same view.

16.15 In my view, the ELBC and the Audit Committee are separate and distinct corporate bodies. The approval under Regulation 23(2) of LODR Regulations was required to be sought from and granted by the Audit Committee acting in that statutory capacity, after considering the related party character of the transaction, the nature and extent of the proposed exposure and the information necessary for an informed decision. An approval granted by the ELBC cannot be treated as approval of the Audit Committee merely because some individuals were common to both committees. However, the fact that the transaction was placed before and authorized by the internal committee, two members of which were also members of the Audit Committee, may be at best considered as a mitigating factor. It does not, however, cure the non-compliance with Regulation 23(2) of the LODR Regulations.

16.16 Noticees 1 to 3 have also submitted that the details of the corporate guarantee were disclosed in the Annual Reports of Noticee 1 for the relevant years. They further relied upon Clause 42 of the notes to the standalone financial statements for FY 2024–25 to submit that the corporate guarantee extended on behalf of

APDPL had been terminated. It was submitted that, as at March 31, 2025, no corporate guarantee remained outstanding in respect of APDPL, whereas in FY 2023–24, the outstanding amount was ₹21.36 crore. Noticees 1 to 3 have also submitted that, while the corporate guarantee initially represented approximately 9.42% of the standalone revenue of Noticee 1 in FY 2020–21, the relative exposure reduced significantly over the subsequent years to approximately 3.73% of standalone revenue and 1.43% of consolidated revenue.

16.17 I note that disclosure of the corporate guarantee in the Annual Reports does not substitute the requirement of obtaining prior approval of the Audit Committee. In my view, the obligation to disclose the transaction in the financial statements and the obligation to obtain prior approval under Regulation 23(2) are separate regulatory requirements. Therefore, subsequent disclosure of the corporate guarantee cannot retrospectively cure the failure to obtain approval before the transaction was undertaken. Similarly, the decline in the exposure when measured as a percentage of revenue does not affect the character of the corporate guarantee as a related party transaction or dispense with the prescribed approval requirement.

16.18 I further note that Noticee 1 had, vide email dated June 24, 2024, informed SEBI that it had submitted a proposal to its banker for reducing the credit exposure to APDPL by 50% and for waiver of the corporate guarantee. The subsequent termination of the guarantee, as reflected in Clause 42 of the notes to the standalone financial statements for FY 2024–25, shows that the subsisting arrangement was ultimately altered. The reduction of the credit exposure and waiver and consequent termination of the corporate guarantee constituted a subsequent material modification of the related party transaction. It is pertinent to mention that Regulation 23(2) of LODR Regulations requires prior approval of the Audit Committee for subsequent material modifications to related party transactions. No material has been placed on record to establish that the proposal for reduction of the credit exposure and waiver of the guarantee was placed before the Audit Committee for its prior approval.

16.19 The reduction in the relative exposure and the termination of the corporate guarantee without its invocation or crystallisation of any liability upon Noticee 1 may be considered as mitigating factor though. These subsequent developments, however, do not cure the failure to obtain prior approval of the Audit Committee either for the initial provision of the corporate guarantee or for its subsequent material modification.

In view of the above, I find that Noticee 1 has violated Regulation 23(2) of the LODR Regulations.

16.20 Noticees 2 and 3 have not made any separate factual submission concerning their respective roles in the issuance or subsequent modification of the corporate guarantee. Their common defence is that liability u/s 27 of the SEBI Act is derivative and vicarious and that, since Noticee 1 did not commit any underlying contravention, no liability could be attributed to them. The premise underlying this contention no longer survives since the contravention of Regulation 23(2) of LODR Regulations by Noticee 1 has been established in the preceding paragraphs.

16.21 During the relevant period, Noticee 2 was the Chairman and Managing Director and Noticee 3 was the Whole-Time Director of Noticee 1. Both were executive directors and key managerial personnel involved in the management and conduct of the business of Noticee 1. The corporate guarantee was approved by the ELBC through its resolution dated June 1, 2020, and Noticee 3 was the Chairperson of that Committee. The transaction was, therefore, undertaken through the executive decision-making structure of Noticee 1 and cannot be regarded as an act occurring outside the knowledge and functioning of its executive management.

16.22 In this regard, I find it appropriate to reproduce the relevant provisions of the SEBI Act and the LODR Regulations:

16.23 Regulation 4(2)(f)(ii)(2) and (7) inter alia sets out the key functions of the board of directors, which include monitoring the effectiveness of the listed entity's governance practices and making changes as needed and ensuring the integrity of the listed entity's accounting and financial reporting systems, including the

independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. Further, Regulation 4(2)(f)(iii)(3), (6) and (12) provides for the responsibilities of the Board, including the following:

a) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
b) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
c) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

16.24 Section 27 (1) of the SEBI Act states that where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. Further Section 27(2) of the SEBI Act states that where a contravention under the SEBI Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

16.25 The liability of Noticees 2 and 3 is not being inferred merely from their designations. It arises from their executive positions, their responsibility for the conduct and oversight of the business of Noticee 1 and, in the case of Noticee 3, his role as Chairperson of the Committee which approved the issuance of the corporate guarantee without the transaction having received prior approval of the Audit Committee.

16.26 In view of the above, I find that Noticees 2 and 3 failed to exercise the requisite care, diligence and regulatory oversight and failed to ensure compliance by Noticee 1 with the mandatory approval mechanism governing related party transactions.

In view of the above, I find that Noticees 2 and 3 violated Regulations 4(2)(f)(ii)(2) and (7), 4(2)(f)(iii)(3), (6) and (12) of the LODR Regulations r/w Sections 27(1) and 27(2) of the SEBI Act.

16.27 Noticee 4, in his separate reply, has submitted that the corporate guarantee was issued without his knowledge. He has stated that, upon becoming aware of the corporate guarantee during his scrutiny, he advised the management, including Noticee 3, who was his immediate reporting authority, to take preventive action.

16.28 He further submitted that, as Compliance Officer, he could advise the management regarding the applicable compliances but could not compel it to act and had no voting or decision-making authority in the meetings of the Board or its committees.

16.29 I have considered the aforesaid submissions. Regulations 6(2)(a) and (c) of the LODR Regulations require the Compliance Officer to ensure conformity with the regulatory provisions applicable to the listed entity in letter and spirit and to ensure that the prescribed procedures are followed. In this regard, I am of the view that the responsibility of Noticee 4 was not confined to voting upon or taking the commercial decision concerning the corporate guarantee.

16.30 Even if the corporate guarantee was initially issued without the knowledge of Noticee 4, it remained outstanding during the subsequent financial years and was disclosed in the annual reports of Noticee 1, as acknowledged by Noticees 1 to 3 in their submissions. Therefore, the transaction could not reasonably have remained outside the knowledge of Noticee 4 throughout the relevant period. Further, although Noticee 4 has made submissions that he advised the management to take preventive action, he did not produce any contemporaneous communication, note, email or other material demonstrating that he advised the management to obtain the requisite approval of the Audit Committee, placed the continuing non-compliance before the Audit Committee or the Board, or took any

other identifiable step to ensure compliance with Regulation 23(2) of LODR Regulations.

16.31 The fact that Noticee 4 did not possess voting rights and could not compel the management to accept his advice may be relevant while determining the quantum of penalty, but it does not absolve him of the statutory responsibilities attached to the office of Compliance Officer. Accordingly, in my view, Noticee 4 failed to ensure conformity with the applicable regulatory provisions and failed to ensure that the prescribed procedure was followed in respect of the corporate guarantee.

In view of the above, I find that Noticee 4 has violated Regulations 6(2)(a) and (c) of the LODR Regulations r/w Section 27 of the SEBI Act.

17. **Alleged Violation *2* –** Reduction of shareholding in WDBPL without prior approval of shareholders by special resolution

17.1 It has been alleged that WDBPL, which was a wholly-owned subsidiary of Noticee 1, undertook a rights issue during FY 2023–24. Noticee 1 subscribed to 50 lakh equity shares for ₹10 crores and renounced the remaining entitlement in favour of Noticee 2 and Deepak Arora, another promoter of Noticee 1. Noticee 2 subscribed to 1 crore equity shares for ₹20 crore and Deepak Arora subscribed to 50 lakh equity shares for ₹10 crores. Consequently, the shareholding of Noticee 1 in WDBPL reduced from 100% to 78.87%, representing a reduction of 21.13%. The consequent reduction of 21.13% was alleged to constitute disposal of substantially the whole of an undertaking in terms of Section 180 (1) (a) of the Companies Act, 2013 for the FY 2023-24 without obtaining the prior approval required under Regulation 37A (1) of the LODR Regulations.

17.2 Regulation 37A(1) of the LODR Regulations provides that a listed entity carrying out sale, lease or otherwise disposal of the whole or substantially the whole of its undertaking, or where it owns more than one undertaking, of the whole or substantially the whole of any such undertaking, shall obtain prior approval of its shareholders by way of a special resolution. Such special resolution can be acted upon only if the votes cast by the public shareholders in favour of the resolution exceed the votes cast against it. The Explanation to Regulation 37A adopts the

meanings of "*undertaking" and "substantially the whole of the undertaking"* provided u/s 180(1)(a) of the Companies Act, 2013.

17.3 Noticees 1 to 3 submitted that the shareholding of Noticee 1 in WDBPL reduced from 100% to 78.87% only because Noticee 1 did not subscribe to the full quantity of its entitlement under the rights issue. According to them, choosing not to apply and pay for the full entitlement in a rights issue could not amount to any sale, lease or other disposal of the whole or substantially the whole of an undertaking within the meaning of Regulation 37A. They further submitted that Noticee 1 continued to hold 78.87% of WDBPL and retained full control over it.

17.4 I have considered the aforesaid submissions. It is on record that WDBPL generated 43.12% of the consolidated revenue of Noticee 1 during FY 2021–22 and 47.34% during FY 2022–23. U/s 180(1)(a) of the Companies Act, 2013, an undertaking includes an undertaking which generates twenty per cent or more of the total income of the company during the previous financial year. Since the revenue generated by WDBPL exceeded the prescribed threshold during both the relevant financial years, I find that WDBPL constituted an undertaking of Noticee 1 for the purposes of Regulation 37A (1) of LODR Regulations.

17.5 The submission that Noticee 1 merely chose not to subscribe to the full rights entitlement does not fully reflect the transaction. Noticee 1 did not merely allow the rights entitlement to lapse. On January 17, 2024, the Board of Directors of Noticee 1 approved the renunciation of the remaining entitlement in favour of Noticee 2 and Deepak Arora. Pursuant to the said decision, the promoters subscribed to the renounced shares and the shareholding of Noticee 1 in WDBPL was reduced from 100% to 78.87%. Thus, the reduction was the result of a decision taken by Noticee 1 to renounce the entitlement in favour of identified promoters.

17.6 In my view, Regulation 37A(1) of LODR Regulations is not confined to a direct sale or lease. It also uses the words *"otherwise disposal".* In the present case, the decision to renounce the rights entitlement resulted in a reduction of 21.13% in the interest of Noticee 1 in WDBPL. The fact that the reduction took place through

a rights issue and renunciation, instead of through a direct sale of the existing shares, does not take the transaction outside the scope of the words *"otherwise disposal"* used in Regulation 37A (1) of LODR Regulations.

17.7 The submission that Noticee 1 continued to hold 78.87% of WDBPL and retained full control over it also does not answer the aforesaid allegation. Regulation 37A(1) of LODR Regulations does not require complete disposal of an undertaking or loss of control. The Explanation provides that "substantially the whole of the undertaking" means twenty per cent or more of the value of the undertaking. In the present case, the transaction resulted in the interest of Noticee 1 in WDBPL being reduced by 21.13%. Therefore, the fact that Noticee 1 retained the remaining shareholding and continued to exercise control over WDBPL did not dispense with the requirement of prior shareholder approval.

17.8 I further note that, prior to the rights issue, Noticee 1 held the entire share capital of WDBPL and, consequently, the entire ownership and economic interest in the said undertaking. Pursuant to the rights issue and the renunciation in favour of the promoters, the shareholding of Noticee 1 stood reduced from 100% to 78.87%, while the remaining 21.13% came to be held by the promoters. Since WDBPL itself qualified as an undertaking, the reduction in the shareholding of Noticee 1 also resulted in a corresponding reduction in its ownership and economic interest in that undertaking. Accordingly, notwithstanding the continued control of Noticee 1 over WDBPL, the transaction resulted in Noticee 1 parting with more than 20% of the value of its undertaking.

17.9 Noticees 1 to 3 also relied upon the second proviso to Regulation 37A (2) of LODR Regulations. According to them, the said proviso applies only where the whole or substantially the whole of an undertaking of a listed entity was first transferred to its wholly-owned subsidiary and the shareholding of the listed entity in that subsidiary was subsequently diluted below 100%. They further submitted that Noticee 1 had not transferred any undertaking to WDBPL and that WDBPL had developed its business separately. On this basis, they have submitted that Regulation 37A(1) of LODR Regulations is not applicable, as alleged.

17.10 I find that the reliance placed upon Regulation 37A(2) of LODR Regulations is misplaced. The present allegation is not that Noticee 1 transferred an undertaking to WDBPL and thereafter reduced its shareholding in WDBPL. The allegation is that WDBPL itself constituted an undertaking of Noticee 1 and that Noticee 1 reduced its interest in WDBPL from 100% to 78.87% without obtaining the approval required under Regulation 37A(1) of LODR Regulations. Accordingly, in my view, Regulation 37A(2) deals with a separate situation involving the transfer of an undertaking by a listed entity to its wholly-owned subsidiary. Since no such transfer is alleged in the present case, Regulation 37A(2) of LODR Regulations and its second proviso do not apply in the facts and circumstances of this case. The present transaction is required to be examined under Regulation 37A(1) of LODR Regulations, which is the relevant provision reproduced in the SCN.

17.11 Noticees 1 to 3 further submitted that it was highly ambiguous whether Regulation 37A of LODR Regulations applied to a mere refusal to pay for and subscribe to the full right issue share entitlement. Relying upon judgments in the matter of *Tolaram Relumal v. State of Bombay, SEBI v. Sunil Krishna Khaitan and Capitalvia Global Research Limited v. SEBI*, they submitted that where two reasonable interpretations of a penal provision are possible, the interpretation which exempts the person from penalty should be preferred.

17.12 However, the present transaction was not confined to a mere refusal to subscribe to the shares of WDBPL. It is on record that Noticee 1 approved the renunciation of the rights entitlement in favour of identified promoters, as a result of which its interest in WDBPL was reduced by 21.13%. WDBPL satisfied the statutory criterion for being treated as an undertaking and Regulation 37A(1) expressly covers an “otherwise disposal” of substantially the whole of an undertaking. Therefore, the judgments relied upon by the Noticees do not assist them in the facts of the present case.

17.13 Noticees 1 to 3 also referred to the commercial circumstances in which the rights issue was undertaken. They submitted that the proposed qualified institutions placement of Noticee 1 did not materialise in October 2023 and that an

immediate equity infusion of ₹40 crores was required to prevent the ₹70 crore capital expenditure programme of WDBPL from stalling and that the promoters accordingly infused funds into WDBPL.

17.14 The aforesaid commercial reasons stated by the Noticees do not remove the requirement of prior shareholder approval under Regulation 37A(1) of LODR Regulations. In my view, if the infusion of funds by the promoters was considered necessary for the capital expenditure programme of WDBPL, the said explanation could have been placed before the shareholders while seeking their approval. The commercial purpose of the transaction may be considered as mitigating factor, but it does not cure the failure to obtain the approval required under Regulation 37A(1) of LODR Regulations.

In view of the above, I find that Noticee 1 has violated Regulation 37A(1) of the LODR Regulations.

17.15 Noticees 2 and 3 have submitted that their liability u/s 27 of the SEBI Act is derivative and that, in the absence of any contravention by Noticee 1, no liability could be attributed to them. However, the underlying contravention of Regulation 37A(1) by Noticee 1 has been established above. Their submission must therefore be examined in the light of their respective positions and involvement in the transaction.

17.16 Noticees 2 and 3 were executive directors of Noticee 1 during the relevant period and were responsible for the conduct of its business. The decision to subscribe only partly to the rights issue of WDBPL and to renounce the balance entitlement in favour of the promoters was a conscious corporate decision taken at the level of the Board. Further, Noticee 2 was also a direct beneficiary of the transaction, having subscribed to one crore equity shares of WDBPL pursuant to the renunciation made by Noticee 1.

17.17 I am of the view that Noticees 2 and 3, being executive directors of Noticee 1, were responsible for ensuring that the decision to renounce the rights entitlement of Noticee 1 in WDBPL was taken in compliance with the applicable regulatory requirements. The said decision resulted in the interest of Noticee 1 in WDBPL being reduced from 100% to 78.87% without obtaining the prior

approval of the shareholders under Regulation 37A(1) of the LODR Regulations. Further, Noticee 2 was a direct beneficiary of the transaction, having subscribed to one crore equity shares of WDBPL for a consideration of ₹20 crore pursuant to the renunciation made by Noticee 1. Thus, the liability of Noticees 2 and 3 arises not merely from the positions held by them but from their responsibility for, and involvement in, the decision under consideration.

In view of the above, I find that Noticees 2 and 3 violated Regulations 4(2)(f)(ii)(2) and (7), 4(2)(f)(iii)(3), (6) and (12) of the LODR Regulations r/w Sections 27(1) and 27(2) of the SEBI Act.

17.18 Noticee 4 has submitted that the reduction in the shareholding of Noticee 1 in WDBPL arose pursuant to a rights issue and renunciation approved by the Board, and that the applicable requirements had been complied with. He has further submitted that he had no voting or decision-making authority and could only advise the management regarding the applicable legal requirements.

17.19 As mentioned in the preceding part of this order, the absence of voting rights does not, by itself, discharge a compliance officer from the responsibilities expressly assigned under Regulations 6(2)(a) and (c) of the LODR Regulations. Noticee 4 was required to ensure conformity with the regulatory provisions applicable to Noticee 1 in letter and spirit and to ensure that the correct procedures were followed. The transaction resulted in the shareholding of Noticee 1 in WDBPL being reduced from 100% to 78.87%; however, the prior approval required under Regulation 37A(1) of LODR Regulations was not obtained.

17.20 It is pertinent to note that no contemporaneous material has been placed on record to demonstrate that Noticee 4 advised the Board or management that prior shareholder approval under Regulation 37A(1) of LODR Regulations was required, or that he raised any objection to the transaction being undertaken without such approval. His submission that he could only advise the management does not absolve him when the record does not demonstrate that such advice was tendered in relation to the transaction in question.

17.21 Noticee 4 has also raised certain grievances concerning the alleged non-payment of remuneration, non-completion of his full and final settlement and the conduct of his reporting manager. I am of the view that these matters arise from his employment relationship with Noticee 1 and fall outside the scope of the allegations in the present proceedings. It is therefore not necessary for the undersigned to enter into or record any finding on the merits of such claims.

In view of the above, I find that Noticee 4 has violated Regulations 6(2)(a) and (c) of the LODR Regulations r/w Section 27 of the SEBI Act.

ISSUE II: Do the violations, if any, on the part of the Noticees attract a penalty u/s 15HB of the SEBI Act?

18. 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:

15HB – Penalty for contravention where no separate penalty has been provided

"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 Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

19. 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 the SEBI Act, which reads as under: -

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

While adjudging quantum of penalty u/s 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."

20. 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 the

Noticees. 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 Noticees. I also note that, as per available records, penalty has been imposed by SEBI against Noticee 1 in the past. Noticee 1, being a listed entity, was under a statutory obligation to abide by the provisions of the SEBI Act, Rules and Regulations and Circulars/directions issued thereunder etc., while Noticees 2, 3 and 4 were required to discharge their respective statutory and regulatory responsibilities. In view of their failure to comply with the applicable provisions as established in the foregoing paragraphs, the violations committed by the Noticees warrant imposition of suitable monetary penalty.

ORDER

21. Having considered the facts and circumstances of the case, the material available on record, the submissions made by the Noticees, the factors mentioned in Section 15J of the SEBI Act, and also taking into account the judgment of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari (2019) 5 SCC 90* and in exercise of the powers conferred upon the undersigned u/s 15-I of the SEBI Act r/w rule 5 of the Adjudication Rules, I impose the following penalty on the Noticees:

Name of Noticee (PAN)	Penalty u/s	Penalty Amount
Som Distilleries and Breweries Ltd **(AABCS3374B)**	15HB of SEBI Act	**Rs. 1,00,000** (Rupees One Lakh only) each, payable separately by the Noticees.
Jagdish Kumar Arora **(AAPPA8546E)**		
Nakul Kam Sethi **(AWSPS1162K)**		
Om Prakash Singh **(AVDPP6975H)**		

I am of the view that the said penalty is commensurate with the violations committed by the Noticees.

22. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

23. In case of any difficulties in payment of penalties, Noticees may contact 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 Adjudication Rules, a copy of this order is being sent to the Noticees and also to SEBI.

Amit Kapoor
Digitally signed by Amit Kapoor
Date: 2026.11.04 14:21:47 +05'30'

PLACE: MUMBAI **AMIT KAPOOR**

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