BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO. Order/JS/VC/2025-26/32690-32694)

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

In respect of:

Noticee No.	Name and PAN of the Noticee
1	Mr. Chirag Arvindbhai Shah (PAN: BFPPS0557F)
2	First Overseas Capital Ltd. (PAN: AAACL4737A)
3	Ms. Mala Soneji (PAN: BMKPS5731F)
4	Mr. Rushabh Pradeep Shroff (PAN: ATZPS8741C)
5	Mr. Satyen Bhupendra Dalal (PAN: AACPD0426F)

In the matter of Veerkrupa Jewellers Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted an investigation in the matter of Veerkrupa Jewellers Limited (hereinafter referred to as **"the Company"**/ **"VJL"/ "issuer"**) to ascertain possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**), Securities Contracts (Regulation) Act, 1956, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **"LODR Regulations"**) and any other rules or regulations made or directions issued by SEBI thereunder.

2. Taking into consideration of the findings of investigation, SEBI initiated adjudication proceedings against Chirag Arvindbhai Shah (**"Noticee-1"**), First Overseas Capital Ltd. (FOCL) (**"Noticee-2"**), Ms. Mala Soneji (**"Noticee-3"**), Mr. Rushabh Pradeep Shroff (**"Noticee-4"**) and Mr. Satyen Bhupendra Dalal

(**“Noticee-5”**) [hereinafter together referred to as **“Noticees”**] for violating the following provisions:

Table-1

Noticee No.	Name of Noticee	Alleged Violations
1	Mr. Chirag Arvindbhai Shah	• Regulation 4(2)(f)(iii)(3) of LODR Regulations.
2	First Overseas Capital Ltd.	• Regulation 271(1), 272(1) and (3) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as **“ICDR Regulations”**); • Regulation 13 read with clause 4 of Schedule III of SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as **“Merchant Bankers Regulations”**); • Regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations; • Regulation 14(1)(e) of Merchant Bankers Regulations.
3	Ms. Mala Soneji	• Regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act; • Regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.
4	Mr. Rushabh Pradeep Shroff	• Regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act; • Regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.
5	Mr. Satyen Bhupendra Dalal	• Regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations; • Regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed the undersigned as the Adjudicating Officer, vide communiqué dated March 02, 2026, under section 19 of the SEBI Act, read with section 15-I (1) of the SEBI Act and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **“Rules”**), to inquire into and

adjudge the alleged violations by the Noticees under the provisions of section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice Ref. No. SEBI/HO/EAD-2/JS/VC/DIS/7838-7842/2026 was issued to the Noticees on March 12, 2026 (hereinafter referred to as **"SCN"**) in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed upon them under section 15HB of the SEBI Act for the alleged violations. However, due to a typographical error, the date on the SCN was inadvertently mentioned as January 12, 2026, therefore, vide Supplementary Show Cause Notice Ref. No. SEBI/HO/EAD-2/JS/VC/DIS//2026 dated March 18, 2026 the date of the SCN was modified as March 12, 2026.

5. The allegations levelled against the Noticees in the SCN are as under:

   (a) *On examination of the escrow account statement, information gathered from the Company, vendors, auditor, merchant banker and banker to issue, etc., the following was observed:*

   <u>Utilization of IPO proceeds</u>

   (b) *VJL in July 2022 raised ₹8.10 crore through Initial Public Offerings (IPO), with the object of meeting the working capital requirements. From the statement of deviation filed by the Company dated April 20, 2023 for the quarter ending December 31, 2022, it was observed that the Company stated that it had completely utilized the IPO proceeds received by it.*

   (c) *In order to examine the usage of IPO proceeds, Cash Flow Statement for the FY 2022-23 was analyzed and following was observed:*

Table-2: Excerpts from Cash Flow Statement

(₹ in Crore)

Particulars	***Funds Inflow***	***Funds Outflow***
Proceeds from Issuance of Share Capital	*8.10*	*-*
Short term borrowings	*0.71*	*-*
Operating Profit before Working Capital Adjustments	*0.06*	*-*
Adjustments for Working Capital	*-*	*8.85*
Total	***8.87***	***8.85***

   (d) *As on March 31, 2022, Cash and Cash Equivalents were ₹0.12 crore and as on March 31, 2023, these were ₹0.13 crore. In the absence of major cash inflow from operating activities, it was noted that IPO funds were used for meeting the working capital requirements.*

(e) VJL vide email dated June 09, 2025, provided the date-wise and entity-wise utilization of IPO proceeds. Vide email dated June 23, 2025, VJL provided the invoices related to the purchases made using the IPO proceeds. The purchases were made from four entities, i.e., Akshat Gold Private Limited, Karuna Bullion Private Limited, Navkar Gold (Prop: Nikunjkumar Shah) and Satva Gold (Prop.: Dhruv Shah).

(f) Vide emails dated June 26, 2025, these four entities were advised to clarify the purpose of receipts in their bank accounts from the IPO proceeds, along with supporting documents including invoices issued. All these entities vide emails dated June 27, 2025, July 02, 2025, July 11, 2025 and July 11, 2025, provided the invoices issued by them. From GST website, it was observed that these entities GSTN was active and all of them were in the similar line of business (HSN Code 7108: Gold/ 71: Precious Metals).

(g) From the GST returns submitted by VJL, vide email dated July 03, 2025, it was observed that VJL had multiple transactions with two of these entities (Karuna Bullion Private Limited and Satva Gold), in addition to the transactions pertaining to payment using IPO proceeds.

(h) As per submissions of FOCL, VJL requested FOCL to pay these third parties from the public issue escrow account, and VJL provided some invoices to FOCL. FOCL vide email dated July 18, 2025 submitted the copies of VJL's requests and the supporting invoices.

(i) The invoices submitted by FOCL were similar to the ones received from VJL and third party vendors. However, the VJL's request to FOCL for transfer of funds were undated. Accordingly, the mode of receipt of these requests were sought from FOCL. Vide email dated August 06, 2025, FOCL submitted that the requests were received on WhatsApp Messenger in an account which had disappearing messages feature switched on. Hence, they could not provide the dated receipts.

<u>Fund trail of the IPO proceeds</u>

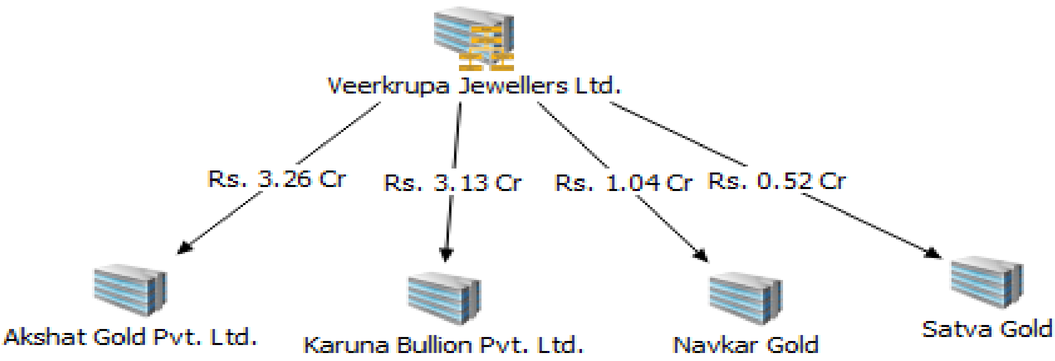
(j) To examine the utilization of IPO proceeds and cross-verify the invoices submitted by VJL/ FOCL and third parties, escrow account statement of VJL was analysed and it was observed that immediately upon receipt of the proceeds, VJL made large remittances to the following entities:

Table-3: Fund trail of IPO proceeds received by VJL

Remitted to	***₹in Crore***	***As % of Net IPO Proceeds***
Akshat Gold Private Limited	*3.26*	*41.00%*
Karuna Bullion Private Limited	*3.13*	*39.37%*
Navkar Gold	*1.04*	*13.08%*
Satva Gold	*0.52*	*6.54%*
Total	***7.95***	***100.00%***

(k) The said entities were VJL's vendors with multiple transactions with it. It was observed that 100% of the net IPO proceeds and 98.15% of the gross IPO proceeds were remitted to vendors of the Company.

(l) Pictorial Representation of the utilization of IPO proceeds is as follows:



Utilization of IPO funds – First Layer

Misuse of authority granted under the Escrow Agreement by FOCL

(m) *Vide email dated May 21, 2025, Axis Bank, banker to issue was requested to share the instruction letter/ document sent by FOCL for transfer of funds from the escrow account and vide email dated June 11, 2025, it was requested to provide the specimen copies of the signatures of authorized signatories of the escrow account and the documentary evidence authorizing FOCL to make transactions from the escrow account.*

(n) *Axis Bank vide email dated May 23, 2025, submitted the fund transfer letters. From the letters it was observed that all the transfers were authorized by FOCL under the garb of fees of the lead manager, Registrar to the Issue, Legal Counsel to the Issue, underwriting and selling commissions, other intermediary fees and other IPO related expenses.*

(o) *Axis Bank vide email dated June 12, 2025, submitted a copy of the Public Issue Account cum Sponsor Bank Agreement (Escrow Agreement) entered into by VJL, Axis Bank, FOCL and Kfin Technologies Limited (Registrar to the Issue).*

Table-4: Observations from the Escrow Agreement

Page and Para No. of Escrow Agreement	***Particulars***
Page No. 10 Para 3.2.3.4. (iii)	*FOCL, upon receipt of the listing and trading approvals, can instruct Axis Bank, in the prescribed form (Annexure A2 of the Escrow Agreement), to make payment towards Issue management fees, registrar fees, advisory fees and other IPO related expenses payable by VJL to various intermediaries.*
Page No. 11 Para 3.2.3.4. (vi)	*FOCL is to give a No Objection Certificate in the prescribed form (Annexure A3 of the Escrow Agreement) to Axis Bank w.r.t. VJL's authority to transfer funds.*
Page No. 11 Para 3.2.3.4. (vi)	*VJL, upon receipt of the NOC, can instruct Axis Bank, in the prescribed form (Annexure B2 of the Escrow Agreement) to make payments prior to release of funds to itself. Annexure B2 indicates that FOCL can also instruct Axis Bank to make payments with cc to VJL.*
Page No. 11 Para 3.2.3.4. (ix)	*The specimen signatures of the Authorized Signatories of these entities, i.e., FOCL and VJL were mentioned in Annexure F1 and F2, respectively, of the Escrow Agreement.*

(p) *From the instructions forms received from Axis Bank, it was observed that FOCL instructed all the transfers using Annexure A2, i.e., form specified for Issue* *management fees, registrar fees, advisory fees and other IPO related expenses. The form was signed by then authorised signatory of FOCL, i.e., Ms. Mala Soneji, now an ex-employee of FOCL, who in her statement confirmed that the signatures belonged to her. Her reporting officer, Mr. Rushabh Shroff, ex-employee of FOCL, has also accepted that the use of the form was a mistake at FOCL's end. Also, VJL was not marked a copy of the payment instructions.*

(q) *VJL's MD, Mr. Chirag Arvindbhai Shah (Noticee-1), was also questioned regarding direct transfer of funds by FOCL to third parties from public issue escrow account. In his statement dated July 14, 2025 before Investigating Authority, he stated that he himself had signed the RTGS forms authorising these transactions and not FOCL. This is contrary to both FOCL and Axis Bank's submissions.*

(r) *Mr. Chirag Arvindbhai Shah was then asked to provide supporting documents w.r.t. his claim, such as counter-receipts for the RTGS forms filed. Despite multiple reminders, he failed to submit any supporting documents, which indicated that his claim was false. When the Relationship Manager, Mr. Sagar Vaidya at Axis Bank, was inquired in this regard, he confirmed that he did not receive any such RTGS request form from VJL.*

(s) *It was observed that FOCL transferred funds to third parties under the garb of Issue Expenses, i.e., used the wrong instruction form and violated the Escrow Agreement. On the contrary, MD of VJL, Mr. Chirag Arvindbhai Shah in his statement denied FOCL's involvement w.r.t. transfer of funds from the escrow account and thus, it was noted that he submitted false information to SEBI. Further, the banker to issue, processed the FOCL instructions on face value, hence, there were lapses in the process involved w.r.t. utilization of IPO proceeds. It was observed that entire IPO proceeds were transferred to third parties directly from IPO escrow account instead of transferring the same to Issuer's bank account.*

Role of entities

Key Management Personnel of VJL

(a) *As per the Annual Report for FY 2022-23, following were the key managerial personnel (KMPs) of VJL during that financial year:*

Table-5: KMPs of VJL

S. No.	***Name***	***Designation***	***Remarks***
1.	*Chirag Arvindbhai Shah*	*MD (Promoter) & Chief Financial Officer (CFO)*	-
2.	*Nehaben Chiragbhai Shah*	*Whole-time Director (Promoter)*	-
3.	*Jalpaben Jalpeshbhai Panara*	*Independent Director*	-
4.	*Pinkeshkumar Jivanlal Shah*	*Director (Promoter)*	*Resigned on 16.12.2024*
5.	*Mayur Prahladbhai Patel*	*Independent Director*	*Resigned on 05.09.2024*
6.	*Ankit Purushottam Sanchiher*	*Company Secretary & Compliance Officer*	*Resigned on 20.10.2022*

(b) *During FY 2022-23, board of directors met four (4) times, i.e., on June 16, 2022, September 07, 2022, November 12, 2022 and February 09, 2023. Details of* *attendance of directors and minutes of board meetings were not submitted by the Company despite several reminders.*

(1) <u>Mr. Chirag Arvindbhai Shah, MD and Promoter of VJL (Noticee-1)</u>
<u>Designation and responsibilities</u>

(a) Mr. Chirag Arvindbhai Shah is the managing director (MD) and CFO of VJL, and continues to hold this position. He oversees the entire business operations of the Company and played a central role in its IPO process.

<u>Initiation of IPO process</u>

(b) Noticee-1 stated that the decision to go public originated through discussions with his Chartered Accountant, Mr. Sachin Dosaliya, and Mr. Rohit Shah of Palm Jewellers Ltd., another listed company. Based on their referral, he connected with FOCL and Ms. Mala Soneji, who acted as lead manager for the IPO.

<u>Utilization of IPO proceeds and transfer of funds from escrow account</u>

(c) VJL raised ₹8.10 crore through IPO in July 2022, with the stated object of meeting working capital requirements. Noticee-1 stated that the funds were used for purchasing gold bars and ornaments. The entire IPO proceeds were transferred directly from the public issue escrow account to vendors (i.e., Akshat Gold Private Limited, Karuna Bullions Private Limited, Navkar Gold and Satva Gold) instead of crediting to VJL's account. The same was in violation of the ICDR Regulations.

(d) Noticee-1 also claimed that he personally submitted RTGS forms to Axis Bank, Ahmedabad branch, authorising these payments and denied FOCL's involvement in instructing the transfers. However, he failed to produce any evidence (e.g., counter-foils or acknowledgments) despite multiple reminders, casting doubt on his version of events. Even the Relationship Manager of Axis Bank confirmed that he did not receive any such RTGS request forms from VJL's MD.

<u>Contradiction with documentary evidence</u>

(e) Axis Bank, banker to issue, submitted transfer instructions signed by Ms. Mala Soneji, ex-employee of FOCL, using Annexure A2 (meant for transferring issue related intermediary fees). Further, Ms. Mala Soneji and Mr. Rushabh Shroff, ex-President at FOCL, admitted the mistake of using the wrong form and confirmed that VJL was not marked in these instructions. Thus, Mr. Shah's claim that he authorized the transfers is inconsistent with both the bank's records and FOCL's admissions.

<u>Observations</u>

(f) As an MD and CFO, Noticee-1 was responsible for ensuring that the handling of IPO proceeds is completed in line with SEBI regulations. His lack of supervision and accountability enabled a process where the entire IPO amount was transferred to third-party vendors directly from the escrow account. The route of fund flow indicated non-compliance with procedural norms intended to safeguard public issue proceeds. Noticee-1's failure to prevent or question the irregular mode of transfer reflected a lapse in fiduciary duties and corporate governance responsibilities expected from a MD in supervising the fund flow from IPO escrow account, and therefore, it was alleged that he violated the provisions of regulation 4(2)(f)(iii)(3) of LODR Regulations.

(2) <u>Ms. Mala Soneji, ex-employee of FOCL (Noticee-3)</u>

Designation and role at FOCL

(a) *Ms. Mala Soneji, Noticee-3, was employed at FOCL as a mid-level executive. She reported to senior management, including Mr. Rushabh Shroff, Mr. Satish Sheth, President, FOCL, and Mr. Satyen Dalal (MD). Her responsibilities included drafting the DRHP (excluding objects of issue), responding to stock exchange queries, interacting with promoters, CFOs, CS, and auditors of issuers, coordinating for IPO related documentation and filings. Noticee-3 resigned from FOCL in 2023 citing overwork and insufficient staffing.*

Role in VJL's IPO and transfer of IPO proceeds to third parties

(b) *Noticee-3 confirmed that she handled the IPO process for VJL. She was involved in drafting and process execution, including liaising with Axis Bank (banker to issue). Noticee-3 admitted that she signed the instructions to Axis Bank for disbursement of funds from the public issue escrow account of VJL using Annexure A2, a form meant only for transfer of IPO related intermediary expenses.*

(c) *Upon showing the evidence of transfers to third-party vendors under the guise of IPO expenses (₹7.95 crore approx.), she stated that these fund transfers were made after receiving instructions from VJL and that she had informed senior management of FOCL, including Mr. Rushabh Shroff (Vice President- Operations), Mr. Satish Sheth (President- Merchant Banking), and MD, Mr. Satyen Dalal, about these transactions.*

Signature mismatch

(d) *Noticee-3 acknowledged the mismatch between her PAN signature and the escrow instructions, stating that she uses a different signature for official FOCL documents.*

Observation

(e) *It was observed that Noticee-3 signed all fund transfer instructions using the wrong instruction form (Annexure A2), knowingly facilitating direct payments to vendors from the escrow account. She did not verify or contest the appropriateness of routing third-party vendor payments through a form designated only for IPO intermediary fees. Noticee-3's actions were in non-compliance to the procedure prescribed in the Escrow Agreement and she failed to exercise due diligence, ensure proper care, exercise independent professional judgement and observe high standards of service.*

(f) *Therefore, it was alleged that Noticee-3 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.*

(3) Mr. Rushabh Shroff, ex-employee of FOCL (Noticee-4)

Designation and role at FOCL

(a) *Mr. Rushabh Shroff, Noticee-4 was the vice president at FOCL until his resignation in 2024. In FOCL, he reported to Mr. Satyen Dalal (MD) and Ms. Mala Soneji and Mr. Satish Sheth reported to him. He was involved in capital structuring, liaising with promoters, and handling promoter-level financial queries.*

Role in VJL's IPO and transfer of IPO proceeds to third parties

(b) *Noticee-4 was involved in drawing up the capital structure, while due diligence and processing were handled mainly by Ms. Mala Soneji and Mr. Satish Sheth. Noticee-4 admitted that the entire IPO proceeds were transferred from the escrow account directly to third-party vendors under the classification of IPO expenses. He stated that* *the same happened based on the instructions received from the issuer (VJL) and FOCL made a procedural mistake by using the wrong instruction form (Annexure A2) for said transfers.*

Chain of approval for transfers and responsibility assumption

(c) *Noticee-4 confirmed that the instructions from VJL were discussed and approved internally by himself, Mr. Satyen Dalal (MD), and Mr. Satish Sheth, after which Ms. Mala Soneji issued the fund transfer instructions to Axis Bank. He affirmed that Mr. Satyen Dalal was fully aware of these transfers from the escrow account to vendors. Mr. Shroff stated that on the basis of written instructions received from the VJL, which were discussed internally, the IPO proceeds were directly transferred to vendors from the escrow account instead of letting the issuer handle the funds from its account.*

Observations

(d) *It was observed that Noticee-4 as vice president and functional head of the IPO team, was in a decision-making role and directly responsible for reviewing and authorizing third-party fund transfers from the escrow account. He admitted to the procedural violation in using the wrong instruction form (Annexure A2- Intermediary expenses), to transfer funds to vendors for working capital uses. Noticee-4 stated that the instructions came from the issuer and FOCL followed the same. It was also observed that the instruction letters received by FOCL from VJL were undated and FOCL did not provide any document indicating the method of receipt of such instructions from VJL. Thus, Noticee-4's failure to maintain records and document trails and to verify or escalate a major procedural lapse, suggests serious lapses in compliance to SEBI regulations. Hence, he failed to exercise due diligence, ensure proper care, exercise independent professional judgement and observe high standards of service.*

(e) *Therefore, it was alleged that Noticee-4 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.*

(4) Mr. Satyen Bhupendra Dalal, MD of FOCL (Noticee-5)

(a) *Mr. Satyen Bhupendra Dalal, Noticee-5 is the MD and controlling shareholder of FOCL. Noticee-5 stated that he delegated the management of the entire IPO/ Merchant Banking vertical to Mr. Rushabh Shroff (Noticee-4).*

(b) *During investigation, Noticee-5 denied any involvement in the IPO of VJL. He claimed that he did not participate in due diligence, issue structuring, or any interaction with the issuer or regulators. He also denied any knowledge of fund transfers made by Ms. Mala Soneji to third party vendors.*

(c) *Noticee-5 stated that he had no interaction with Ms. Mala Soneji and mentioned that Ms. Mala Soneji and Mr. Satish Sheth reported to Mr. Rushabh Shroff. He reiterated that he played no supervisory or consultative role in any aspect of the VJL IPO.*

Observations:

(d) *As MD and de facto head of FOCL, Noticee-5 bears ultimate accountability for the firm's conduct as a SEBI registered merchant banker. His total detachment from IPO operations, including lack of supervision over fund flow, escrow operations and due diligence, represents a serious abdication of regulatory responsibility and failure to exercise due diligence, ensure proper care, exercise independent professional* *judgement and observe high standards of service. Therefore, it was alleged that Noticee-5 violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.*

(e) By stating that it is general practice to transfer funds routinely on "instructions from clients" without ensuring compliance with ICDR Regulations, Noticee-5 effectively allowed systemic procedural violations under his watch. In his submission, he also denied any knowledge of Noticee-3's actions despite being MD of FOCL. Delegation of authority does not absolve a MD from regulatory compliance obligations. FOCL's misuse of Annexure A2 (meant for intermediary expenses) to transfer the entire IPO proceeds to third parties originated from a leadership vacuum that Noticee-5 created or tolerated. Therefore, it was alleged that Noticee-5 failed to implement good corporate policies and corporate governance at FOCL, hence, violated the provisions of regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations.

(5) <u>Role of FOCL (Noticee-2)</u>

(a) FOCL acted as the lead merchant banker to the IPO of VJL. It was responsible for overseeing due diligence, handling public issue proceeds, and ensuring compliance with SEBI regulations. However, it was observed that FOCL directly instructed the transfer of nearly 100% of IPO proceeds (₹7.95 Crore) from the public issue escrow account to VJL's third-party vendors, bypassing the issuer's own account. These transactions were made using Annexure A2, which is strictly meant for IPO related intermediary fees and not for vendors to meet the objects of issue. This resulted in bypassing the control of the issuer company and violation of regulation 271(1), 272(1) and (3) of ICDR Regulations, which mandates that public issue proceeds must first be credited to the issuer's bank account before any utilisation. Thus, it was alleged that Noticee-2 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations.

(b) Further, it was noted that the request from VJL for fund transfer to third parties from the escrow account, as submitted by FOCL, was received on WhatsApp (Disappearing Messages). The copies of requests submitted were undated. Hence, it was alleged that Noticee-2 failed to maintain appropriate records of communication/ instructions from issuer company, thus, it violated regulation 14(1)(e) of Merchant Bankers Regulations.

(c) Further, it was observed that Noticee-2 misused Annexure A2 (meant for payment of intermediary fees) for making third party vendor payments and acted without adequate due diligence or care in ensuring issuer company's direct written authorization while making fund transfers to third parties. Though junior employee, Ms. Mala Soneji executed the transfers, she stated that the decision was approved by FOCL's senior management. FOCL's leadership, particularly Mr. Rushabh Shroff (vice president) and Mr. Satyen Dalal (MD), failed to ensure adequate supervision, internal checks, or regulatory compliance. Therefore, it was alleged that Noticee-2 violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.

(d) Further, it was observed that Noticee-2 failed to implement good internal code of conduct and standards of appropriate conduct at FOCL, which led to a single

employee being empowered to release the IPO funds from escrow account. Noticee-2's conduct reflects serious lapses in fiduciary duty, internal governance and procedural compliance. Therefore, it was alleged that Noticee-2 violated the provisions of regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations.

6. It is noted that the SCN issued to the Noticees was duly served upon them. As Noticee-1 failed to submit any response to the SCN, a notice of hearing dated April 29, 2026 was issued, granting him an opportunity for a personal hearing on May 13, 2026 and advising him to file his response. Vide emails dated June 18, 2026 and July 02, 2026, Noticee-1 requested for additional documents, which were duly provided to him. Vide email dated July 02, 2026, Noticee-1 also requested for cross-examination of Noticee-3, 4 and 5. In response, Noticee-1 was directed to first file his written reply to the SCN and was informed that his request for cross-examination would be evaluated by the undersigned only upon receipt of the said reply. On July 06, 2026, Noticee-1 attended the hearing in person and submitted that he has no connection with other entities, including FOCL and did not press for cross-examination of Noticee-3, 4 and 5. Subsequent to hearing, Noticee-1 also submitted his written reply in the matter. Further, Noticee-1 filed additional submissions vide email dated July 28, 2026, wherein an opportunity for a personal hearing was requested. Accordingly, vide email dated August 5, 2026, Noticee was advised to confirm whether he requires another opportunity of hearing. In response, vide email dated August 6, 2026, Noticee-1 submitted that his written replies dated July 06, 2026 and July 28, 2026 be considered and confirmed that another opportunity of personal hearing was not required.

7. Vide emails dated March 25, 2026 and March 31, 2026, Noticee-2, 3, 4 and 5 requested for inspection of documents, which was granted to them on April 09, 2026. Thereafter, vide notice of hearing dated April 29, 2026, an opportunity of hearing was granted to Noticee-2, 3, 4 and 5, however, considering the request of the Noticees, the hearing was re-scheduled and to June 02, 2026. Noticee-2, 3, 4 and 5 vide their respective letters dated May 30, 2026, submitted their reply to the SCN. On June 02, 2026, Authorized Representatives (**"ARs"**) of the Noticees, viz., Ms. Rinku Valanju, Ms. Hiral Shah and Mr. Hemant Dharap, R V Legal, attended the hearing in person and reiterated the submissions made by the Noticee-2, 3, 4

and 5 vide their replies dated May 30, 2026. Further, vide email dated June 22, 2026, Noticee-2, 3, 4 and 5 filed additional submissions in the matter.

8. Relevant extracts of replies of the Noticees are as under:

Submissions of Noticee-1 (Mr. Chirag Arvindbhai Shah)

Noticee denied the allegation, inference, and adverse observation made against him in the SCN.

A. Brief undisputed facts

(a) VJL is engaged in the business of trading and manufacturing of gold, silver, and studded jewellery, and was listed on the BSE SME Platform on July 1 8, 2022, pursuant to an IPO that raised ₹8.10 crore. The stated object of the Issue, as disclosed in the Prospectus, was to meet the working capital requirements of the Company.

(b) The entire net IPO proceeds of ₹7.95 crore (98.15% of the gross proceeds) were utilised, within days of listing, to purchase gold from four established, GST-registered vendors, Akshat Gold Private Limited, Karuna Bullion Private Limited, Navkar Gold, and Satva Gold, against genuine invoices, all of which have already been furnished to SEBI and are on record. It is respectfully submitted that this fact is not, and cannot be, in dispute.

(c) It is not the case of SEBI, nor does the SCN allege, that any part of the IPO proceeds was diverted for any purpose other than the stated object of the Issue, or that the Noticee or any promoter derived any personal benefit whatsoever from the manner in which the funds were transferred. The sole grievance is a procedural one, namely, that the funds moved directly from the escrow account to the vendors instead of first being credited to VJL's own bank account.

B. The mechanism of transfer was not within the control of Noticee

(a) Clause 3.2.3.3 and 3.2.3.4 of the Escrow Agreement prescribes two distinct instruction mechanisms for the release of funds from the Public Issue Account: (a) Annexure A2- to be issued exclusively by the lead manager (FOCL), strictly for payment of lead management fees, registrar fees, advisory fees, and other IPO related intermediary expenses; and (b) Annexure B2- to be issued by the Company itself, only after FOCL furnishes a No Objection Certificate (Annexure A3) to the banker to the issue.

(b) As recorded at paragraphs 21 and 31 of the SCN itself, the fund-transfer instructions dated July 16, 18, and 19, 2022 to Axis Bank were issued on Annexure A2, the format reserved for the lead manager and were signed by Ms. Mala Soneji, then an employee of FOCL, a fact that Ms. Soneji and Mr. Rushabh Shroff (Noticee-3 and Noticee-4) have themselves admitted before the Investigating Authority. The choice of instruction format, and the decision to route the payments through Annexure A2 rather than Annexure B2, was a matter entirely internal to FOCL and Axis Bank, executed pursuant to their respective obligations as lead manager and banker to the issue under the Escrow Agreement. VJL was, admittedly, not even copied on these instructions.

(c) Regulation 4(2)(f)(iii)(3) of the LODR Regulations casts an obligation on directors to act in good faith, with due diligence and care, and in the best interest of the Company and its shareholders. Noticee, as Managing Director, had no visibility into, or occasion

to verify, which of the two prescribed escrow-mechanism forms FOCL chose to use internally to execute a transfer that the Company itself had validly requested for a legitimate, disclosed business purpose. A lapse in form selection at the lead manager/banker end, of which the Company was never informed, cannot be attributed to a failure of governance or supervision on the part of Noticee.

C. <u>The transfers were made pursuant to VJL's own written, signed requests</u>

(a) It stands corroborated by FOCL's own submission to SEBI dated July 18, 2025, that VJL through Noticee, in his capacity as Managing Director addressed written requests on the Company's letterhead to FOCL, identified the specific vendor, quantity of gold, and amount to be remitted against actual purchase invoices, and requested that the payments be released directly to the vendors as the funds were required for "the working capital of the Company" in accordance with the object of the Issue. Copies of these request letters, duly signed by the Noticee were independently furnished by FOCL to the Investigating Authority.

(b) The existence of these contemporaneous, signed request letters demonstrates that the transfers were not unauthorised, unexplained, or the product of any abdication of oversight by the Noticee. On the contrary, they show that the Company, through its Managing Director, actively directed and documented the utilisation of funds for a genuine business purpose, well before the funds left the escrow account. This material fact materially answers the observation at paragraph 32 of the SCN that the Noticee's "lack of supervision and accountability enabled" the impugned transfers.

(c) It was acknowledged that these request letters do not bear a date, and were, as recorded in the SCN, transmitted to FOCL through WhatsApp Messenger. The absence of a date on these letters was an inadvertent oversight and not a deliberate attempt to obscure the timeline, the invoices referenced therein, together with the escrow account statement and the entity-wise fund trail, independently establish that each request corresponds to a specific, identifiable, contemporaneous transaction.

D. <u>On observation regarding the Noticee's statement recorded on July 14, 2025</u>

(a) Paragraph 22 of the SCN records that the Noticee, in his statement dated July 14, 2025, stated that he himself had "signed the RTGS forms authorising these transactions and not FOCL," and that this is treated as inconsistent with FOCL's and Axis Bank's submissions, and as furnishing false information to SEBI.

(b) It was submitted without any intention to resile from his statement, that the Noticee's reference was intended to be, to the request letters described in above, signed by him on the Company's letterhead and directing the release of funds to the vendors, which he, in good faith and in the course of an oral statement, described using the layman's term "RTGS forms/authorisation", rather than by the precise nomenclature of the escrow mechanism (Annexure A2/B2) prescribed under the Escrow Agreement, a document to which the Noticee was not directly privy in its technical, clause-by-clause detail. The Noticee was, at the relevant time, not shown the Annexure A2 instructions signed by Ms. Soneji, nor was he informed that FOCL had used that particular form.

(c) This was, at worst, an imprecise description of a document by a person unfamiliar with the technical banking/escrow terminology, and not a deliberate misstatement or false submission. This is fortified by the fact that the very documents the Noticee was

referring to- the signed request letters, do exist, are on record, and were independently furnished to SEBI by FOCL. There was, therefore, no attempt by Noticee to conceal any fact or to mislead the Investigating Authority, if anything, the underlying document he referred to (the signed request letter) stands corroborated.

E. <u>Absence of mala fide, loss, or prejudice to investors</u>

(a) The entire net proceeds of the Issue were utilised for the stated object of the Issue, viz., working capital, through the purchase of gold from verifiable, GST registered vendors. There is no allegation, much less any finding, of diversion of funds, personal enrichment, or any loss caused to public shareholders or investors of VJL.

(b) The utilisation of proceeds was also duly disclosed by the Company in its statement of deviation filed on April 20, 2023, for the quarter ended December 31, 2022, which is a matter of public record and was available to SEBI and to the stock exchange.

(c) It is well settled that while procedural compliance under the LODR Regulations and ICDR Regulations must be strictly observed, the gravity of any lapse, and the penalty (if any) attracted, must be considered in light of the absence of mala fide intent, the absence of investor harm and the isolated nature of the lapse, which pertains to a single, one-time IPO fund transfer mechanism rather than any recurring or systemic failure of governance at VJL.

<u>Written submission of Noticee-1 during personal hearing</u>

(a) Noticee acknowledged receipt of the SCN. He did not know and had no connection with the other four individuals listed in the SCN. His company operates independently and has showroom business. Noticee committed no wrongdoing at any time, nor will there be any issues in the future. ***(Translated from Gujarati).***

<u>Reply of Noticee-2 (First Overseas Capital Ltd.)</u>

A. <u>Background facts – reply on merits</u>

(a) VJL came out with an IPO on the BSE SME platform in July 2022, raising Rs. 8.10 crore (30 lakh equity shares at Rs. 27 per share). The object of the IPO was to meet working capital requirements of VJL's jewellery trading business.

(b) FOCL was appointed as the lead manager and underwriter to VJL's IPO pursuant to an Issue Agreement. As lead manager, FOCL was also a party to the Public Issue Account cum Sponsor Bank Agreement ("Escrow Agreement") dated June 20, 2022, entered into among VJL, Axis Bank Limited ("Banker to the Issue"), FOCL and KFin Technologies Limited ("Registrar").

(c) In preparation for the IPO, the board of directors of FOCL, at its meeting held on April 5, 2022, passed a formal board resolution authorising Mr. Rushabh Shroff (President- Operations), Mr. Satish Sheth (President- Operations), and Ms. Mala Soneji (Vice President- Operations) as the Authorised Signatories to sign and execute all Escrow Agreements and do all acts required in connection therewith, on behalf of FOCL. Each of the three Authorised Signatories was authorised severally, i.e., any one of them alone could sign and execute the necessary documents.

(d) VJL received listing and trading approval from BSE vide BSE's letter dated July 15, 2022 (a Friday) wherein the commencement of trading was permitted with effect from

July 18, 2022 (a Monday). Immediately upon receipt of listing approval, VJL's MD, Mr. Chirag Arvind Shah (DIN: 08561827), sent written instructions on VJL's official letterhead to FOCL requesting FOCL to make payments directly to VJL's gold vendors from the public issue escrow account. Each letter was signed by Mr. Chirag Arvind Shah as MD and contained the following certification: "This fund is being utilized for the working capital of the Company and it is in accordance with the object of the Company."

(e) FOCL had earlier informed SEBI vide emails dated August 05, 2025 and August 06, 2025 that VJL's instructions regarding fund transfer to suppliers/vendors were received through WhatsApp communication with disappearing messages feature enabled. The same has been stated in SCN at para 50 and based on same it has been alleged that FOCL has not maintained appropriate records and violated regulation 14(1)(e) of Merchant Banking Regulations.

(f) On receipt of SCN, further internal discussion, brainstorming, deliberation and review of the matter, including recollection by the concerned persons involved at the relevant time in July 2022 took place. On common consensus they had come to conclusion that the instructions from VJL were actually received through email and not through WhatsApp.

(g) When asked about the mode of communication in August 2025, FOCL was unable to immediately locate the July 2022 email records as they existed only as old.pst backup files on FOCL's server. FOCL uses Google Mail hosted through Outlook using POP3 protocol as a result of which emails downloaded on Outlook are no longer available on the Gmail server after 30 days and exist only as .pst backup files on FOCL's own server. It took lot of efforts and substantial time for FOCL to retrieve the same as FOCL was required to locate the Hard Disk, get an IT professional to retrieve the files and hence there was a delay in submission of reply.

(h) Further, it was submitted that FOCL maintained its records properly and there is no violation of any regulatory framework.

(i) At least one of these request letters (re: Karuna Bullion Pvt. Ltd. and Akshat Gold Pvt. Ltd.) bears the date July 15, 2022. It is pertinent to note that this date was prior to the first fund transfer on July 16, 2022. This demonstrated that FOCL received VJL's written instructions before the transfers were executed, and that FOCL did not act without the issuer's prior authorisation.

(j) On receipt of VJL's written instructions, FOCL's Authorised Signatory Ms. Mala Soneji executed Annexure A2 instruction forms and sent them to Axis Bank's centralised IPO Operations team in Mumbai. These forms were dated July 16, 2022, July 18, 2022, and July 19, 2022 respectively. Ms. Mala Soneji instructed Axis Bank to transfer specified amounts to each of the four gold vendors identified by VJL.

(k) Axis Bank's centralised IPO Operations team at Mumbai (SOL IDs 248 and 274) verified the signatures on the instruction forms against the specimen signatures in the Escrow Agreement and processed the transfers. Axis Bank's own assistant vice president of IPO Operations, Mr. Mangesh Phalke, stated under oath before SEBI that: "Based on the request received from the Merchant Banker, we checked the signatures and executed the transactions. As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."

(l) All four gold vendors (Akshat Gold Pvt. Ltd., Karuna Bullion Pvt. Ltd., Navkar Gold & Bullion LLP, and Satva Gold) received the funds, delivered gold to VJL, and raised proper e-invoice compliant tax invoices bearing valid Invoice Reference Numbers (IRN) registered on the GST portal. VJL's GST filings confirm transactions with these vendors. The fund trail traced by CFID-SEBI up to three layers shows that all downstream entities are gold dealers, no funds were traced to any entity connected to FOCL.

(m) VJL also filed a regulation 32 compliance statement with BSE on April 20, 2023 (for the quarter ended December 31, 2022), signed by Mr. Chirag Arvind Shah as MD, certifying that "there is no deviation or variation in the use of proceeds" of the IPO. This statement was reviewed by VJL's Audit Committee before filing with the stock exchange.

B. <u>Critical examination of the statement of VJL's MD</u>

(a) Mr. Chirag Arvind Shah, the MD of VJL, claimed before SEBI that he personally submitted RTGS forms to Axis Bank's Ahmedabad branch authorising the fund transfers and denied FOCL's involvement in instructing the transfers. This claim is false, as established by the following independent evidence:

(i) Mr. Sagar Vaidya, the Relationship Manager at Axis Bank's Ahmedabad branch, stated under oath: "No. I haven't received any such form." He further confirmed that he had not executed any transactions and that all execution was done by Axis Bank's centralised team in Mumbai.

(ii) Ms. Heta Shah, the Branch Manager of Axis Bank's Vejalpur branch (Ahmedabad), confirmed that the SOL ID of her branch is 058 but the SOL IDs reflected in the bank statement were 248 and 274, both belonging to Axis Bank's centralised branches in Mumbai. Therefore, none of the transactions originated from VJL's local Ahmedabad branch.

(iii) Mr. Mangesh Phalke of Axis Bank's IPO Operations team confirmed that the fund transfers were processed entirely on the basis of instruction forms received from FOCL (the Merchant Banker) and that the only supporting document relied upon by Axis Bank was the instruction letter from the Merchant Banker. He specifically stated: "There is no interaction with the issuer company."

(iv) The physical Annexure A2 instruction forms submitted by Axis Bank to SEBI were signed by FOCL's Authorised Signatory Ms. Mala Soneji and not by VJL's MD. These forms bear the dates July 16, 17, 18 and 19, 2022.

(v) SEBI's investigation report explicitly records that despite multiple reminders, Mr. Chirag Arvind Shah failed to produce any supporting documents (such as counter-receipts for the alleged RTGS forms) to substantiate his claim, and that "his claim is false."

(b) It is therefore established that VJL's MD made a demonstrably false statement before SEBI. He falsely claimed to have personally authorised the fund transfers when in fact he had no operational role in those transfers at all. This false claim was made by VJL's MD to conceal his own role in directing the vendor payments. It was VJL's MD himself who had instructed FOCL to make these payments through written request letters on VJL's official letterhead.

(c) *The very fact that VJL's MD tried to conceal his role in directing these payments is strong circumstantial evidence that the instructions were genuine and were given by VJL and that FOCL acted upon them in good faith.*

(d) *Further, FOCL drew attention to the important aspects of the VJL's request letters. The said request letters on VJL's official letterhead, bear its CIN, GSTIN, PAN, and were signed by Mr. Chirag Arvind Shah as MD with his DIN. The letters contain specific bank account numbers, IFSC codes, and branch names for each gold vendor. This level of accuracy could have come only from VJL itself. FOCL had no prior relationship with any of the four vendors and FOCL never had bank details of these vendors.*

(e) *The tax invoices raised by the gold vendors including the Satva Gold invoice dated July 18, 2022 (Invoice No. 1R-593) and the Karuna Bullion invoices dated July 16-18, 2022 show VJL's GSTIN as the buyer. This confirmed that these were genuine purchases made by VJL from its vendors. SEBI's investigation report, after examining the GST filings of VJL and all four vendors, has also confirmed that the IPO proceeds were utilised as per the objects of the issue. Additionally, VJL itself filed a regulation 32 compliance statement with BSE on April 20, 2023, reviewed by its Audit Committee, certifying no deviation in use of IPO proceeds and thus confirming the legitimacy of the fund utilisation.*

Further, the email communications from VJL's compliance email ID (complianceveerkrupa@gmail.com) dated from July 15, 2022 now retrieved and produced as Annexure 13 establish that it was VJL that directed FOCL to make vendor payments. These emails refute the contention of VJL's MD that he did not instruct FOCL.

The email instructions from VJL's compliance email ID combined with the written request letters on VJL's official letterhead establish that it was VJL that directed the fund transfers. FOCL was merely implementing VJL's directions. The allegation that FOCL bypassed VJL's control is therefore completely without basis as it was VJL that chose this route and directed FOCL accordingly.

C. <u>No violation of regulations 271(1), 272(1) and (3) of ICDR Regulations</u>

(a) *The SCN alleged that FOCL violated regulations 271(1), 272(1) and (3) of the ICDR Regulations by transferring IPO proceeds directly from the public issue escrow account to VJL's vendors, bypassing VJL's own account.*

(b) *The ICDR Regulations and the Escrow Agreement must be read together keeping in mind the practical purpose of the transaction. The following facts are relevant:*

   (i) *The object of VJL's IPO was to meet "working capital requirements" specifically for the purchase of gold inventory for its jewellery business.*

   (ii) *VJL's MD gave specific written instructions to FOCL to make payments directly to VJL's gold vendors, certifying in writing that the funds were being used for working capital in accordance with the object of the issue.*

   (iii) *The payments went to the vendors identified in VJL's request letters exactly as per the amounts specified and to the same bank accounts provided by VJL. There was no deviation whatsoever from VJL's instructions.*

(iv) The entire IPO money reached VJL's genuine gold vendors for genuine gold purchases. SEBI's investigation report has confirmed this after examining the invoices, GST filings and the complete fund trail.

(c) The effect of routing the payment through VJL's account first (as per the technical requirement of Annexure B2) would have been identical. The money would have ultimately reached the same vendors for the same gold purchases. The route taken (via Annexure A2 directly to vendors) was chosen at the express direction of VJL as issuer, in the interest of commercial efficiency, immediately after listing. No ill intention can be attributed to the same and there was no advantage to the Noticee from the same. Without prejudice to the foregoing, the direct transfer of funds to VJL's vendors from the escrow account was done for operational convenience and as per industry practice. This is a common practice followed by merchant bankers in SME IPOs where the issuer directs the merchant banker to make payments directly to its vendors from the escrow account for efficiency and speed. VJL's MD specifically directed this route through written instructions on official letterhead and through email communications from VJL's compliance email ID. FOCL was simply executing VJL's own direction.

(d) The Escrow Agreement clause 3.2.3.4(iv) states that instructions in the form of Annexure A2 filed by the lead manager shall be "binding on the Banker(s) to the Issue irrespective of any contrary claim or instructions from any party including the Company." This provision was specifically designed to give FOCL's Annexure A2 instructions overriding binding force. The Escrow Agreement intended that FOCL, as lead manager, would be the primary driver of fund releases from the escrow account.

(e) FOCL further submitted that regulation 272(1) of the ICDR Regulations requires the lead manager to confirm to the banker to the issue that all formalities in connection with the issue have been completed. FOCL had ensured that all IPO formalities such as receiving listing approval from BSE and the allotment process was completed before any transfers were initiated. The payment of IPO proceeds to vendors for working capital purposes as stated in the object clause of the issue was the last step in fulfilling the IPO's purpose.

D. <u>The role of Axis Bank</u>

(a) The SCN placed the entire burden of the alleged procedural lapse on FOCL. However, Axis Bank, as the banker to the issue and a co-signatory to the Escrow Agreement, also bears responsibility for processing the transfer of IPO funds.

(b) Mr. Mangesh Phalke, AVP, IPO Operations at Axis Bank, who actually processed and approved the transactions as checker, stated before SEBI that:
"As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."
"We just authenticate the signatures on the request letter received from Merchant Banker and accordingly execute the fund transfers."

(c) Axis Bank's entire due diligence consisted of verifying signatures. A team of four (two makers and two checkers) processed the transactions without raising any query about the choice of form. Axis Bank specifically told SEBI that Annexure A2 was the applicable form.

(d) Ms. Mala Soneji stated before SEBI that she called Mr. Sagar Vaidya of Axis Bank to clarify which form to use, and he told her telephonically to use Annexure A2 instead of B2. Though Mr. Sagar Vaidya denied this in his statement, it is pertinent to note that:

(i) Mr. Sagar Vaidya admitted that he does not give opinions on the use of annexures and would forward any query to Axis Bank's centralised team. This means if guidance was given telephonically by anyone at Axis Bank, it came from the centralized team, not Mr. Vaidya personally.

(ii) Regardless of whether the telephonic guidance was given by Mr. Vaidya or someone else at Axis Bank, the fact remains that Axis Bank's professional IPO Operations team in Mumbai (Mr. Mangesh Phalke's team) processed the Annexure A2 forms without objection, confirming the forms were correctly submitted.

(e) Axis Bank is a professional bank and a listed entity on stock exchange, whose specific job is to manage IPO fund flows for IPOs. Since Axis Bank verified FOCL's instruction forms, confirmed that Annexure A2 was the correct form under the Escrow Agreement, and processed all transactions without raising any query, FOCL had every reason to trust that the transfers were being handled correctly. It would be unfair to say that FOCL did not exercise due diligence when the bank responsible for managing the escrow funds confirmed that everything was in order.

(f) Both FOCL and Axis Bank acted on a common understanding that the instruction forms submitted were in accordance with the Escrow Agreement. The payments were correct in every respect, i.e., with regard to amounts, vendors and purpose as directed by VJL. Any error, if at all, was only in the selection/choice of form and nothing else.

(g) It is also significant that Axis Bank, which is a co-signatory to the Escrow Agreement, specifically confirmed that Annexure A2 was the applicable form, and processed all transactions, has not been made a party or noticee in the SCN. Axis Bank, as the banker to the issue and co-signatory to the Escrow Agreement, bears equal if not greater responsibility for ensuring proper fund flows from the escrow account. If there was indeed any procedural lapse in the choice of form, Axis Bank, whose professional team confirmed the form was correct, cannot escape responsibility. SEBI ought to have issued SCN to Axis Bank considering adverse remarks against it in the SCN.

E. <u>No violation of regulation 14(1)(e) of Merchant Banker Regulations</u>

(a) The SCN alleged that FOCL failed to maintain appropriate records and documentation because VJL's instructions were received on WhatsApp with disappearing messages, and the request letters were undated.

(b) As submitted above, FOCL retrieved the email communications from VJL's compliance email ID complianceveerkrupa@gmail.com dated from July 15, 2022 each containing the instruction 'please find attached request letter for making payment to suppliers' with attached letters on VJL's official letterhead. These emails establish that VJL's instructions were received by FOCL through email. These email records were retrieved and produced as Annexure 13 to this reply.

(c) FOCL has maintained proper records. Apart from instructions received through emails from VJL, FOCL retained the written request letters on VJL's official letterhead signed

by VJL's MD with his DIN and submitted them to SEBI during the investigation. FOCL also retained vendor invoices and bank details as provided by VJL.

(d) *At least one of the VJL request letters (re: Karuna Bullion Pvt. Ltd. and Akshat Gold Pvt. Ltd.) was dated July 15, 2022 which pre-dates the first fund transfer on July 16, 2022. This dated letter establishes a clear documentary trail. Therefore, Investigation report's allegation that all request letters were undated is factually incorrect.*

(e) *Record-keeping requirements under regulation 14(1)(e) are intended to ensure that merchant bankers can demonstrate the due diligence they exercised. FOCL has been entirely transparent in this regard. It submitted all available documents to SEBI, acknowledged the form used for transfer of funds, and cooperated fully with the investigation. There was no attempt to conceal or destroy any record.*

F. <u>No violations of regulation 13 r/w Schedule III of Merchant Banker Regulations</u>

(a) *The SCN alleged violation of regulation 13 read with clauses 4, 21, 26, 27, 29, and 30 of Schedule III of the Merchant Bankers Regulations, broadly relating to FOCL's code of conduct, standard of care, corporate governance, and competence.*

(b) *FOCL submitted that these allegations are not backed by any evidence:*
   - (i) *Due diligence and proper care (Clause 4): FOCL exercised due diligence at every stage of the IPO- conducting site visits of VJL's registered office, verifying VJL's corporate documents, preparing the DRHP, and completing all IPO formalities. At the final stage, VJL's MD gave written instructions for fund utilisation. FOCL followed those instructions as part of serving a client with proper care. FOCL had also followed all post issue compliance.*
   - (ii) *Regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III: As submitted above, these clauses have no application to the facts of the present case. These allegations are therefore not made out and deserve to be dropped.*

G. <u>Legal submissions</u>

(a) *FOCL submitted the following legal propositions in support of its case:*

(b) *The Adjudicating Officer must exercise discretion judicially: The Hon'ble Supreme Court of India in Hindustan Steel Ltd. v. State of Orissa, (1969) 2 SCR 627, held:*
"An order imposing penalty for failure to observe some statutory obligation is the result of a quasi-criminal proceeding and penalty will not ordinarily be imposed unless the party obliged either acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest, or acted in conscious disregard of its obligation... Penalty will not be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances."

(c) *FOCL is fully aware that the Hon'ble Supreme Court in Chairman SEBI v. Shriram Mutual Fund, (2006) 5 SCC 361, clarified that penalty under the SEBI Act may be attracted once a violation is established, and that proof of fraudulent intent may not always be required. However, FOCL submitted that even within this framework, two important principles remain applicable:*

(i) *The Adjudicating Officer retains full discretion in determining the quantum of penalty under section 15J of the SEBI Act and that discretion must be exercised keeping in view the nature and gravity of the default, the absence of any financial gain or loss, and the good faith conduct of the Noticee.*

(ii) *Where the conduct of the Noticee is not motivated by fraud, dishonesty or deliberate defiance and where the outcome of the transaction was entirely correct then these factors must weigh heavily in determining whether any penalty should be imposed and if so, how much to be imposed.*

(d) *In the present case, FOCL's conduct was neither deliberate defiance nor dishonest. FOCL acted on written instructions from the issuer, used a form that the banker to the issue itself confirmed was applicable, and achieved 100% substantive compliance with the IPO's stated objects. There was no dishonesty, no siphoning, and no loss to any investor.*

(e) *Proportionality in Penalty: FOCL stated that even where a technical violation is established, the penalty imposed must be proportionate to the nature and gravity of the default. The Hon'ble Supreme Court in Adjudicating Officer SEBI v. Bhavesh Pabari, (2019) 5 SCC 90, affirmed that the Adjudicating Officer has discretion under section 15J to determine the quantum of penalty keeping in view all relevant factors and that this discretion must be exercised judicially and not mechanically.*

(f) *In the present case, investigation report has found that there was no mis-utilisation of funds, no connection between the funds and any FOCL related entity, and no financial loss to any investor. The only finding relates to the procedural selection/choice of form used for bank instruction. Any substantial penalty in such circumstances would be disproportionate to the gravity of the alleged violation.*

(g) *Good faith reliance on another regulated entity: FOCL relied on the professional expertise of Axis Bank, a SEBI registered entity and co-signatory to the Escrow Agreement, which processed the Annexure A2 forms without any objection and specifically confirmed to SEBI that Annexure A2 was the applicable form under the Escrow Agreement. When a regulated entity acts in good faith on the professional confirmation of another regulated entity it cannot be treated on the same footing as a party that acted dishonestly or in deliberate defiance of regulations.*

(h) *Absence of fraudulent intent: FOCL had absolutely no motive to defraud or harm anyone. The fund transfers resulted in genuine gold purchases for VJL's jewellery business exactly as the IPO promised to investors. FOCL itself incurred a loss of Rs. 24,18,828 on its underwriting obligations in this very IPO. This demonstrated that FOCL's entire interest was in the success of the IPO and not in any fraudulent bypassing of regulations. The absence of any fraudulent intent is a relevant factor that the Adjudicating Officer must consider while determining the quantum of penalty under section 15J.*

(i) *Absence of wrongful intention- procedural lapse does not constitute fraud: The Hon'ble Supreme Court in Reliance Industries Limited & Ors. v. Securities and Exchange Board of India, 2026 INSC 585, decided on May 29, 2026, has recently held that (refer para 175 and 220):*
"both mens rea and actus reus cannot be made into irrelevant factors for deciding fraud"

and further that -

"in situations where injury due to wrongful act is established, i.e., inducement to deal in securities has caused the other person to be adversely affected and allowed the party accused of fraud to gain unlawful profits or avert ordinary losses at the former's expense, there would be no requirement on the respondent authority to prove deceitful intention. In other words, where injury is impossible to be proved, the requirement of wrongful intention becomes mandatory."

(j) In the present case, investigation report conclusively holds that there was zero mis-utilisation of IPO proceeds and no investor suffered any financial loss. Since injury is impossible to be proved wrongful intention becomes mandatory. No wrongful intention exists or has been alleged against FOCL. FOCL acted on VJL's written instructions, in reliance on Axis Bank's professional confirmation, and achieved 100% substantive compliance with the IPO's stated object. A technical procedural lapse in the choice of one instruction form over another in the complete absence of wrongful intention, financial loss, investor harm or personal gain cannot warrant penal action.

H. <u>Submissions under section 15J of the SEBI Act</u>

(a) Section 15J of the SEBI Act specifically requires the Adjudicating Officer to have due regard to the following factors while determining the quantum of penalty. FOCL submitted as follows:

(i) No disproportionate gain or unfair advantage: FOCL received no gain whatsoever from the use of Annexure A2. On the contrary, FOCL incurred a loss of Rs. 24,18,828 on its underwriting commitment in this IPO. This is the clearest possible demonstration that FOCL had no financial motive in the choice of form used for the bank instruction.

(ii) No loss caused to investors or other persons: Investigation report concludes that the IPO proceeds were utilised as per the objects of the issue and no negative inference is drawn. Not a single investor suffered any financial loss as a result of the fund transfers. The gold vendors received payment, delivered gold to VJL, and raised proper GST compliant invoices which demonstrates a complete and legitimate commercial transaction.

(iii) Non-repetitive nature of default: The use of Annexure A2 for vendor payments was a one-time occurrence in a single IPO. It was not a repeated or systematic pattern of conduct across multiple transactions or multiple IPOs.

(iv) Nature and gravity of violation: The violation, if any, is purely procedural, i.e., the choice/selection of one instruction form over another within the same Escrow Agreement mechanism. The substance of the transaction was entirely correct, i.e., right amounts, right vendors, right purpose, as directed by VJL. The ultimate outcome was fully consistent with the stated object of the IPO.

(v) Full cooperation with investigation: FOCL cooperated fully with SEBI's investigation at every stage. It has submitted all the documents requested by SEBI, provided complete explanations and made all its officials available for statement recording without any resistance or delay.

<u>Reply of Noticee-3 (Ms. Mala Soneji)</u>

A. <u>Noticee's role at FOCL</u>

(a) *Noticee is finance professional having done an MBA in Finance. She joined FOCL as Manager and later on elevated to vice president – Operations. Noticee is currently not employed with FOCL. Her primary responsibilities at FOCL were drafting the Red Herring Prospectus (RHP) other than the Objects of Issue; replying to Stock Exchange queries; interacting with listed company's Promoters, Company Secretary, CFO and Auditors during the IPO process; and executing fund transfer instructions to the banker to the issue as per directions of the issuer company.*

(b) *Noticee denied each and every allegation made against her in the SCN. She stated that the allegations are misconceived, factually incorrect, and not supported by the evidence on record.*

(c) *The SCN invoked section 27(1) of the SEBI Act to hold her personally liable for the alleged violations of FOCL. Section 27(1) provides that where a contravention has been committed by a company, every person who was in charge of and responsible for the conduct of business of the company shall be deemed guilty. However, it is well settled that section 27(1) does not create automatic or deemed liability for every officer or employee of a company. Personal liability under section 27(1) requires evidence of direct, active, and knowing involvement of the individual in the commission of the specific default. The Hon'ble Supreme Court in Sunil Bharti Mittal v. CBI, (2015) 4 SCC 609, allowed the appeals of the directors holding that merely because a person holds a controlling position in a company does not mean he can be proceeded against as accused. There must be specific material against her personally.*

(d) *In the present case, as submitted in detail below, Noticee acted entirely on the explicit instructions of senior management and on the professional guidance of Axis Bank. section 27(1) therefore does not make Noticee personally liable in the facts and circumstances of this case. Further, section 27(1) applies to persons who are 'in charge of and responsible for the conduct of business of the company.' As a vice president operations, Noticee was not in charge of or responsible for the conduct of business of FOCL. Noticee was a junior employee executing instructions given by Noticee's senior management. Section 27(1) therefore has no application to Noticee.*

B. <u>SEBI's investigation found zero mis-utilisation</u>

(a) *As per the investigation report, there has been no misutilization of IPO proceeds and the said Report stated that:*
"Keeping in view the similar invoices submitted by VJL, FOCL and the third parties, GST filings of VJL and fund trail of the IPO proceeds, it is concluded that the IPO proceeds have been utilized as per the Objects of Issue and no negative inference is drawn."

(b) *This conclusion was reached after SEBI's investigators conducted a detailed examination of the escrow account, traced the fund trail up to three layers, verified vendor invoices, examined GST filings of all four vendors, and reviewed all available documentation. The entire net IPO proceeds of VJL went to four genuine, GST-registered gold and bullion vendors, viz., Akshat Gold Private Limited, Karuna Bullion Private Limited, Navkar Gold and Bullion LLP, and Satva Gold. All these vendors are in the business of gold (HSN 71). SEBI has not found a single rupee transferred to any entity connected to FOCL or Noticee personally.*

(c) There is no charge against Noticee about causing any financial harm. The charge is purely about the procedural choice of using Annexure A2 (instead of Annexure B2 of the Escrow Agreement) to instruct Axis Bank to make vendor payments. This constituted, at the very most, a technical and administrative lapse and that too where Noticee had acted entirely on the explicit instructions of Noticee's senior management and on the professional guidance of Axis Bank's team which confirmed that Annexure A2 was the correct applicable form. In such circumstances, imposing personal penal liability on Noticee would be disproportionate and unjust.

C. <u>Axis bank confirmed that Annexure A2 was the correct form</u>

(a) Before signing the Annexure A2 instruction forms, Noticee specifically consulted Axis Bank to clarify which form should be used for the fund transfers. Noticee called Mr. Sagar Vaidya of Axis Bank and he told Noticee telephonically to use Annexure A2 instead of Annexure B2 as mentioned in the escrow agreement. Acting on this guidance from the banker to the issue, Noticee used Annexure A2.

(b) Noticee is aware that Mr. Sagar Vaidya denied giving this telephonic guidance in his statement before SEBI. However, Noticee submitted that:

(vi) Mr. Sagar Vaidya himself admitted in his statement that he does not give opinions on the use of annexures and would forward any query to Axis Bank's centralised team. This means that any guidance given telephonically in connection with Noticee's query would have come from the centralised team even if not from Mr. Sagar Vaidya personally.

(vii) Regardless of whether the telephonic guidance was given by Mr. Sagar Vaidya personally or by someone else at Axis Bank's centralised team, the fact remains that Axis Bank's professional IPO Operations team in Mumbai received the Annexure A2 forms, verified the signatures, and processed all the transactions without raising any query, flag or objection.

(c) Mr. Mangesh Phalke, Assistant Vice President, IPO Operations, Axis Bank Limited who actually processed and approved the transactions as "checker" in his team had stated before SEBI that:

"Based on the request received from the Merchant Banker, we checked the signatures and executed the transactions. As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."

"We just authenticate the signatures on the request letter received from Merchant Banker and accordingly execute the fund transfers. The only supporting document is the instructions letter received from Merchant Banker. There is no interaction with the issuer company."

(d) Axis Bank is a professionally managed bank which is also listed on stock exchanges. Axis Bank is a co-signatory to the Escrow Agreement. It is the professional banker to the issue with a dedicated IPO operations team that handles multiple IPOs. This team had access to the Escrow Agreement and specifically determined that Annexure A2 was the applicable form under it. The team then processed all the transactions without raising any query, flag or objection.

(e) It is also significant that Axis Bank, which is a co-signatory to the Escrow Agreement, specifically confirmed that Annexure A2 was the applicable form, and processed all

transactions, had not been made a party or noticee in the SCN. Axis Bank, as the banker to the issue and co-signatory to the Escrow Agreement, bears equal if not greater responsibility for ensuring proper fund flows from the escrow account. SEBI ought to have issued SCN to Axis Bank considering adverse remarks against it in the SCN.

(f) *When Noticee, as an employee executing instructions given by her senior management, consulted the banker to the issue on which form to use and was told to use Annexure A2 and when Axis Bank's professional team then processed the forms without objection and confirmed they were applicable then Noticee had every reason to believe that the fund transfers were being processed correctly. Noticee cannot be said that she acted without proper care or due diligence in these circumstances.*

D. <u>VJL's written instructions directing the payments</u>

(a) *The fund transfers were made on the basis of written instructions received from VJL's MD, Mr. Chirag Arvind Shah, on VJL's official letterhead bearing VJL's CIN, GSTIN and PAN. Each letter was personally signed by Mr. Chirag Arvind Shah as MD and contained the certification: "This fund is being utilized for the working capital of the Company and it is in accordance with the object of the Company."*

(b) *At least one of VJL's request letters was dated July 15, 2022. This date was prior to the first fund transfer of July 16, 2022. This demonstrated that FOCL received VJL's written authorisation before the transfers were executed. The investigation report's contention that all request letters were "undated" is therefore factually incorrect.*

(c) *Further, FOCL retrieved email communications from VJL's compliance email ID (complianceveerkrupa@gmail.com) to FOCL dated from July 15, 2022- each email stating 'please find attached request letter for making payment to suppliers' with the same request letters on VJL's official letterhead as attached documents. Noticee specifically confirmed that she received these email instructions from VJL and acted upon them in executing the fund transfer forms. These emails corroborated her statement before SEBI and established that Noticee was acting on VJL's written instructions received through email.*

(d) *VJL's MD, Mr. Chirag Arvind Shah, claimed before SEBI that he personally submitted RTGS forms to Axis Bank's Ahmedabad branch authorising the fund transfers and denied FOCL's involvement. This claim has no basis since:*
   (i) *Mr. Sagar Vaidya, Relationship Manager, Axis Bank, Ahmedabad, stated under oath that "No. I haven't received any such form."*
   (ii) *Ms. Heta Shah, Branch Manager, Axis Bank, confirmed that her Ahmedabad branch's SOL ID is 058 but the SOL IDs on the bank statement is 248 and 274 which belonged to Axis Bank's centralised branches in Mumbai. None of the transfers originated from VJL's Ahmedabad branch.*
   (iii) *Mr. Mangesh Phalke, AVP, IPO Operations, Axis Bank Mumbai, confirmed that all transfers were processed solely on FOCL's instruction forms and that "there is no interaction with the issuer company."*
   (iv) *SEBI's investigation report records that Mr. Chirag Arvind Shah's claim is false and that he failed to produce any supporting documents despite multiple reminders.*

(e) The fact that VJL's MD made a false statement before SEBI and thus tried to conceal his role in directing the payments is strong evidence that the actual written instructions on VJL's letterhead were genuine and that FOCL acted upon them in good faith. VJL also filed a regulation 32 compliance statement with BSE on April 20, 2023, reviewed by its Audit Committee, certifying no deviation in use of IPO proceeds.

E. <u>Noticee acted entirely on company's instructions and in consultation with her seniors</u>

(a) Noticee acted entirely on company's instructions in consultation with her seniors.

(b) The sequence of events was as follows:
- *(i) VJL's instructions for vendor payments were received by FOCL.*
- *(ii) These instructions were first informed to Mr. Rushabh Shroff. Mr. Satish Sheth and Mr. Satyen Dalal were also informed.*
- *(iii) They discussed among themselves and then told Noticee to authorise these transactions.*
- *(iv) Noticee then called Axis Bank to clarify which form to use for the bank instruction.*
- *(v) Mr. Sagar Vaidya of Axis Bank told telephonically to use Annexure A2 instead of B2.*
- *(vi) Acting on issuer company's instructions, senior management's consultation and Axis Bank's guidance, Noticee signed the Annexure A2 instruction forms and submitted them to Axis Bank's centralised IPO Operations team in Mumbai.*

(c) The decision to make the vendor payments was taken at the level of FOCL's senior management and not by Noticee. Noticee's role was purely that of an executor carrying out the instructions that had been conveyed by her seniors.

(d) Noticee had no commercial, financial, personal or familial relationship of any kind with any of the four gold vendors (Akshat Gold Pvt. Ltd., Karuna Bullion Pvt. Ltd., Navkar Gold and Bullion LLP, or Satva Gold). Noticee is not aware of any relationship between these entities and FOCL either. This is consistent with the investigation report's finding that the fund trail up to three layers shows all downstream entities are genuine gold dealers with no connection to FOCL or to Noticee. Further without prejudice to the foregoing, for the operational convenience and industry practice, the funds were directly transferred to vendors/suppliers as per Company official's directions.

F. <u>Noticee's conduct- no gain, no improper motive, full cooperation</u>

(a) Noticee did not get any personal financial gain from the fund transfers. Noticee has no commercial, financial, personal or familial relationship with any of the four gold vendors. This is consistent with the investigation report's findings which traced the fund trail up to three layers and found no connection to Noticee personally.

(b) Noticee was a salaried employee earning Rs. 45,000 per month at the time of the VJL IPO. Noticee had no financial stake/interest in the outcome of the transfers. Noticee executed the instructions of Noticee's senior management as any employee in Noticee's position would be expected to do.

(c) Noticee resigned from FOCL in 2023 because many IPO issues came up and Noticee could not handle the work pressure. Noticee resigned when the work took a toll on Noticee's health. Noticee's resignation had nothing to do with the VJL IPO matter.

(d) *Noticee appeared before SEBI for statement recording voluntarily, gave a truthful account of events, and cooperated fully with the investigation. Noticee did not attempt to conceal or suppress any information. This conduct reflects Noticee's honesty and transparency throughout.*

G. <u>No violation of regulation 13 read with clause 4 of Schedule III</u>

(a) *The SCN alleged violation of regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations. Clause 4 requires a merchant banker to at all times exercise due diligence, ensure proper care and exercise independent professional judgment.*

(b) *This allegation is not made out against Noticee personally:*
   (i) *Noticee exercised proper care by specifically consulting Axis Bank (the banker to the issue) before using Annexure A2. Noticee did not blindly choose a form. Noticee had sought professional guidance from the entity responsible for processing the bank instructions.*
   (ii) *Noticee acted on the explicit instructions of her senior management who had been informed of VJL's directions and had taken the decision to authorise the transfers. Following senior management's instructions is the expected conduct of an employee. It is not a failure of due diligence as alleged by SEBI.*
   (iii) *Axis Bank's professional team confirmed that Annexure A2 was the applicable form and processed all transactions without objection. Noticee had every reason to believe the transfers were being handled correctly.*
   (iv) *SEBI's investigation report confirms zero mis-utilisation of funds. This is conclusive measure of whether due diligence and proper care were exercised. The substantive outcome was perfect compliance with the IPO's object which has been achieved.*
   (v) *Noticee was an employee and not a decision maker. Clause 4's requirement of independent professional judgment must be read in the context of Noticee's position and role. As an employee, executing senior management's directions after consulting the bank on procedural details, cannot be said to have failed in Noticee's professional duty.*

H. <u>Legal submissions</u>

(a) *Penalty is not warranted for a technical and minor breach: The Hon'ble Supreme Court of India in Hindustan Steel Ltd. v. State of Orissa, laid down the foundational principle governing imposition of penalties for regulatory defaults.*

(b) *Noticee is aware that the Hon'ble Supreme Court in Chairman SEBI v. Shriram Mutual Fund, clarified that penalty under the SEBI Act may be attracted once a violation is established. However, even within this framework, the Adjudicating Officer retains full discretion under section 15J to determine the quantum of penalty keeping in view the nature and gravity of the default, the absence of any financial gain or loss, and the good faith conduct of the Noticee.*

(c) *Applying this principle to Noticee's case:*
   (i) *Noticee did not act deliberately in defiance of law. Noticee acted on explicit instructions of Noticee's senior management and on the professional guidance of Axis Bank;*

(ii) Noticee's conduct was not dishonest. Noticee was transparent and cooperative throughout; and

(iii) Noticee was not acting in conscious disregard of her obligations. Noticee believed the fund transfers were being handled correctly as confirmed by the bank.

(d) Individual liability requires direct personal involvement in the specific default: The Hon'ble Supreme Court in Sunil Bharti Mittal v. CBI, allowed the appeals of the directors holding that merely because a person holds a controlling position in a company does not mean he can be proceeded against as accused. There must be specific material against her personally. In the present case, Noticee was a junior employee who executed the instructions of Noticee's senior management and acted on the professional guidance of Axis Bank. Noticee had no independent decision-making role in the choice of Annexure A2. Noticee used it as guided by the banker to the issue and in consultation with Noticee's seniors. Noticee's position as junior employee does not make her personally liable for this specific administrative choice.

(e) Employee following senior management instructions- mitigating factor: Noticee was a junior employee in a company of 5-6 employees. Noticee reported to Mr. Rushabh Shroff and Mr. Satish Sheth who in turn reported to Mr. Satyen Dalal, the MD. Noticee was told to authorise these transactions and Noticee executed the same in good faith. Holding a junior employee like Noticee, who acted on issuer company's instructions in consultation with seniors before acting, personally liable at the same level as the decision makers is unjust and disproportionate.

(f) Proportionality in penalty: Even where a technical violation is established, the penalty imposed must be proportionate to the nature and gravity of the default. The Hon'ble Supreme Court in Adjudicating Officer SEBI v. Bhavesh Pabari, affirmed that the Adjudicating Officer has discretion under section 15J to determine the quantum of penalty keeping in view all relevant factors and that this discretion must be exercised judicially and not mechanically. The following factors establish that any penalty against Noticee would be disproportionate:

(i) SEBI's investigation report found zero mis-utilisation of funds and zero loss to any investor;

(ii) Noticee derived no personal gain from the transactions;

(iii) The violation is purely procedural with regard to the choice of one form over another within the same escrow mechanism;

(iv) Noticee acted on senior management's explicit instructions and on Axis Bank's professional guidance;

(v) Noticee is a junior employee not a decision maker; and

(vi) Noticee co-operated fully with the investigation.

(g) Absence of wrongful intention- procedural lapse does not constitute fraud: Noticee has relied upon the judgement of the Hon'ble Supreme Court in Reliance Industries Limited & Ors. v. Securities and Exchange Board of India, decided on May 29, 2026.

(h) In the present case, investigation report conclusively holds that there was zero mis-utilisation of IPO proceeds and no investor suffered any financial loss. Since injury is impossible to be proved- wrongful intention becomes mandatory. No wrongful intention exists or has been alleged against Noticee personally. Noticee is a junior employee who acted entirely on the explicit instructions of her senior management and on the

professional guidance of Axis Bank which confirmed that Annexure A2 was the correct applicable form. Noticee derived no personal gain whatsoever from the fund transfers. The choice of one instruction form over another made in good faith, guided by the bank, on senior management's consultation, in the complete absence of wrongful intention, financial loss, investor harm or personal gain cannot warrant personal penal action against a junior employee like Noticee.

I. <u>Submissions under section 15J of the SEBI Act</u>

With respect to section 15J of the SEBI Act, Noticee-3 made similar submissions to Noticee-2's 'submissions under section 15J of the SEBI Act' as mentioned hereinabove.

<u>Reply of Noticee-4 (Mr. Rushabh Pradeep Shroff)</u>

A. <u>Role at FOCL</u>

(a) Noticee, Rushabh Pradeep Shroff, was the Vice-President at FOCL during the relevant period. Noticee joined FOCL in February 2007 as Project Manager and moved to the SME Merchant Banking section in 2013-14 when FOCL began receiving IPO mandates from clients. Noticee resigned from FOCL in 2024 for personal reasons to join his family business (Real Estate and Safety Appliances). Noticee is currently not employed in any financial services industry in any capacity.

(b) Within FOCL, Noticee reported to Mr. Satyen Dalal, MD. Mr. Satish Sheth (President Operations) and Ms. Mala Soneji (Vice President- Operations) reported to Noticee. Noticee's primary responsibilities at FOCL were:
  (i) Client acquisition and relationship management, interacting with brokers and promoters of issuer companies;
  (ii) Capital structuring- drawing up the capital structure for companies proposing IPOs;
  (iii) Handling Mergers and Acquisitions projects in collaboration with Mr. Satyen Dalal; and
  (iv) Overall supervision of the merchant banking section.

(c) The day-to-day documentation, detailed due diligence, IPO processing, co-ordination with the banker to the issue, site visits, and execution of fund transfer instructions were handled by Ms. Mala Soneji and Mr. Satish Sheth. In the case of VJL's IPO, VJL was introduced to FOCL by Mr. Rakshit Shah, a Chartered Accountant and broker. Noticee drew up the capital structure for VJL's issue. The detailed due diligence work, site visits to VJL's premises, and the drafting of the Draft Red Herring Prospectus (DRHP) were handled by Ms. Mala Soneji and Mr. Satish Sheth.

(d) The FOCL board resolution dated April 5, 2022 formally and severally authorised Mr. Rushabh Shroff (President- Operations), Mr. Satish Sheth (President- Operations), and Ms. Mala Soneji (Vice President- Operations) to open and operate escrow accounts, sign and execute escrow agreements, and do all related acts on behalf of FOCL in connection with IPO mandates. On a day-to-day basis, the operator of the escrow mechanism was Ms. Mala Soneji, who submitted the instruction forms to Axis Bank and co-ordinated with the bank's centralised IPO Operations team in Mumbai.

(e) Noticee denied each and every allegation made against him in the SCN.He stated that the allegations are misconceived, factually incorrect, and not supported by any evidence.

(f) The SCN refers section 27(1) of the SEBI Act, 1992 to hold Noticee personally liable for the alleged violations of FOCL. Section 27(1) provides that where a contravention has been committed by a company, every person who was in charge of and responsible for the conduct of business of the company shall be deemed guilty. However, it is well settled that section 27(1) does not create automatic or deemed liability for every officer of a company. Personal liability under section 27(1) requires evidence of direct, active, and knowing involvement of the individual in the commission of the specific default.

(g) The Hon'ble Supreme Court in Sunil Bharti Mittal v. CBI, allowed the appeals of the directors holding that merely because a person holds a controlling position in a company does not mean he can be proceeded against as accused- there must be specific material against him personally.

(h) In the present case, Noticee had no direct personal involvement in the specific default alleged namely, the choice of Annexure A2 instead of Annexure B2 for the bank instruction form. That operational detail was handled by Ms. Mala Soneji in direct consultation with Axis Bank. Section 27(1) therefore has no application to the facts of this case.

B. <u>SEBI's investigation found zero mis-utilisation</u>

(a) As per the investigation report, there has been no misutilization of IPO Fund proceeds and which states as follows:
"Keeping in view the similar invoices submitted by VJL, FOCL and the third parties, GST filings of VJL and fund trail of the IPO proceeds, it is concluded that the IPO proceeds have been utilized as per the Objects of Issue and no negative inference is drawn."

(b) This conclusion was reached after SEBI conducted a detailed examination of the escrow account, traced the fund trail up to three layers, verified vendor invoices, examined GST filings of all four vendors, and reviewed all available documentation. The entire net IPO proceeds of VJL went to four genuine, GST-registered gold and bullion vendors, viz., Akshat Gold Private Limited, Karuna Bullion Private Limited, Navkar Gold and Bullion LLP, and Satva Gold who all were in the business of gold (HSN 71). SEBI has not found a single rupee transferred wrongfully to any entity connected to FOCL or to Noticee personally.

(c) The charge against Noticee is not that he had caused any financial harm. The charge is purely about the procedural choice/selection of using Annexure A2 (instead of Annexure B2 of the Escrow Agreement) to instruct Axis Bank to make vendor payments. this is a technical and administrative lapse and that too where Axis Bank's professional IPO Operations team confirmed at the relevant time that Annexure A2 was the correct applicable form under the Escrow Agreement. In such circumstances, imposing personal penal liability on Noticee would be disproportionate and unjust.

(d) Further, to the extent the SCN alleged that funds were transferred directly to vendors bypassing VJL's account, without prejudice to all other submissions, this was done for operational convenience and as per industry practice at VJL's own direction.

C. <u>The issuer directed the payments and Noticee acted on VJL's written instructions</u>

(a) The SCN alleged that Noticee authorised the bypassing of VJL's control over its IPO proceeds. Noticee disputed this allegation. The evidence shows that Noticee did not bypass VJL's control. In fact, Noticee acted on VJL's explicit written instructions.

(b) VJL's MD, Mr. Chirag Arvind Shah, gave FOCL written instructions on VJL's official letterhead, bearing VJL's CIN, GSTIN, and PAN, directing FOCL to make payments to specific gold vendors from the public issue escrow account post subscription of IPO. Each letter was personally signed by Mr. Chirag Arvind Shah as MD and contained the specific certification:
"This fund is being utilized for the working capital of the Company and it is in accordance with the object of the Company."

(c) These request letters specify the following:
- *(i) the exact name of each vendor;*
- *(ii) the quantity of gold to be purchased;*
- *(iii) the specific bank name, account number, IFSC code, and branch of each vendor; and*
- *(iv) the exact amount to be transferred.*

(d) Noticee stated that the banking details mentioned in these letters, about the specific bank account numbers and branch addresses of VJL's suppliers, etc., had come from VJL post IPO. FOCL had no prior relationship with any of the four gold vendors and could not have independently possessed this information.

(e) One of VJL's request letters was dated July 15, 2022 which is a date that is prior to the first fund transfer of July 16, 2022. This demonstrated that FOCL received VJL's written authorisation before the transfers were executed. The investigation report's characterisation that all request letters were "undated" is factually incorrect, and this letter dated July 15, 2022 establishes a clear documentary evidence and trail.

(f) FOCL retrieved email communications from VJL's compliance email ID (complianceveerkrupa@gmail.com) to FOCL dated from July 15, 2022- each email stating 'please find attached request letter for making payment to suppliers' with attached request letters on VJL's official letterhead containing specific vendor names, amounts, bank account details and IFSC codes. These emails irrefutably establish that it was VJL that directed FOCL to make the vendor payments and that FOCL was acting on VJL's written instructions communicated through email. These emails make it impossible for VJL's MD to maintain his stand that he had no role in directing the fund transfers. These email communications have been retrieved by FOCL from its archived server data and are being produced as Annexure to FOCL's reply filed in these proceedings.

(g) FOCL acted as an agent of VJL, the issuer company. FOCL executed the issuer's specific and certified instructions for disbursement of working capital funds to the issuer's gold vendors post IPO. This is not a bypass of the issuer's control, in fact it is the exercise of the issuer's control through FOCL as the designated intermediary.

(h) Without prejudice, the direct transfer of funds to VJL's vendors from the escrow account was done for operational convenience and as per industry practice. This is a common practice in SME IPOs where the issuer directs the merchant banker to make payments directly to its vendors for efficiency and speed. VJL's MD specifically directed

this route through written instructions on official letterhead and through email communications from VJL's compliance email ID complianceveerkrupa@gmail.com.

(i) The statement of VJL's MD, Mr. Chirag Arvind Shah, before SEBI on July 14, 2025 are inconsistent. He claimed to have personally submitted RTGS forms to Axis Bank's Ahmedabad branch, authorising the fund transfers independently of FOCL. This claim has been conclusively and comprehensively disproved:

  (i) Mr. Sagar Vaidya, Relationship Manager, Axis Bank, Ahmedabad, stated under oath: "No. I haven't received any such form." He confirmed that he executed no transactions whatsoever.

  (ii) Ms. Heta Shah, Branch Manager, Axis Bank, confirmed that her Ahmedabad branch's SOL ID (Service Outlet Location Identifier) is 058 but the SOL IDs on the bank statement were 248 and 274, which belong to Axis Bank's centralised branches in Mumbai. Thus, none of the transfers originated from VJL's Ahmedabad branch.

  (iii) Mr. Mangesh Phalke, AVP, IPO Operations, Axis Bank Mumbai, confirmed that all transfers were processed solely on FOCL's instruction forms and specifically stated: "There is no interaction with the issuer company."

  (iv) The actual instruction forms submitted by Axis Bank to SEBI were FOCL's Annexure A2 forms signed by Ms. Mala Soneji. There were no RTGS forms from VJL's MD.

  (v) Investigation report records shows that Mr. Chirag Arvind Shah's claim is false and that despite multiple reminders, he failed to produce any supporting documents such as counter-receipts for the alleged RTGS forms.

(j) If FOCL had acted without VJL's authorisation, as alleged in the SCN, VJL's MD would have every reason to say so truthfully before SEBI. Instead, he fabricated an alternative account of events. This attempted cover-up by VJL's MD is strong circumstantial evidence that the actual instructions and signed request letters on VJL's letterhead were genuine and were given by VJL to FOCL to direct the vendor payments.

(k) Additionally, the tax invoices raised by the gold vendors shows VJL's GSTIN as the buyer confirming that VJL acknowledged its commercial liability for these gold purchases on a per-transaction basis under GST law. These were genuine commercial transactions of VJL with its vendors. VJL also filed a regulation 32 compliance statement with BSE on April 20, 2023 signed by its MD and reviewed by its Audit Committee certifying no deviation in use of IPO proceeds. VJL's Audit Committee has approved the utilisation of funds and thus confirmed the legitimacy of fund utilization.

D. <u>Axis Bank confirmed that Annexure A2 was the correct form</u>

(a) The SCN alleged that the use of Annexure A2 as using the "wrong" form. this characterisation is fundamentally weakened by the sworn statement of Axis Bank's professional IPO Operations team.

(b) Mr. Mangesh Phalke, Assistant Vice President, IPO Operations, Axis Bank Limited who actually processed and approved the transactions as "checker" in his team stated before SEBI that:
"Based on the request received from the Merchant Banker, we checked the signatures and executed the transactions. As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."

"We just authenticate the signatures on the request letter received from Merchant Banker and accordingly execute the fund transfers. The only supporting document is the instructions letter received from Merchant Banker. There is no interaction with the issuer company."

(c) *Axis Bank is a SEBI-registered entity and a co-signatory to the Escrow Agreement. It is the professional banker to the issue with a team of IPO Operations that handles multiple IPOs. This team had access to the Escrow Agreement and had specifically determined that Annexure A2 was the applicable form under the Escrow Agreement. The team had processed all the transactions accordingly without raising any query, flag, or objection. Hence, if someone is to be made liable for wrong use of forms it should be Axis Bank and not FOCL.*

(d) *Ms. Mala Soneji, the FOCL employee, who executed the Annexure A2 forms, stated before SEBI that she specifically consulted Axis Bank before using Annexure A2. She stated that she called the banker to the issue and was told telephonically to use Annexure A2 instead of B2. Even if the specific identity of the person who gave that telephonic guidance is disputed, the Axis Bank's professional operations team in Mumbai received the Annexure A2 forms, verified the signatures, confirmed the forms were applicable under the Escrow Agreement, and processed all the transactions.*

(e) *Since a professional, centralised IPO Operations team of a major bank, which handles multiple IPOs and has access to the Escrow Agreement, processes an instruction form and expressly states that the form used was the applicable one under that Agreement, a merchant banker who submitted that form cannot be said to have acted without proper care or due diligence. As VP overseeing the IPO, Noticee had every reason to trust that the form-level operational detail between Ms. Mala Soneji and Axis Bank's professional team was being handled correctly particularly when the bank's team confirmed it.*

(f) *It is also significant that Axis Bank, which is a co-signatory to the Escrow Agreement, specifically confirmed that Annexure A2 was the applicable form, and processed all transactions, has not been made a party or Noticee in the SCN. Axis Bank, as the banker to the issue and co-signatory to the Escrow Agreement, bears equal responsibility for ensuring proper fund flows from the escrow account. If there was indeed any procedural lapse in the choice of form, Axis Bank, whose professional team confirmed the form was correct, cannot escape responsibility. SEBI ought to have issued SCN to Axis Bank considering adverse remarks against it in the SCN.*

E. <u>The word "mistake" in proper context in Noticee's statement before SEBI</u>

(a) *The SCN relied partly on Noticee's statement before SEBI (recorded on July 18, 2025), in which Noticee said:*
"It was a mistake from FOCL's side that we filled up the wrong form to transfer the funds from IPO Escrow Account to third parties. These payments to third parties were made based on the instructions received from the company."

(b) *The full context for this statement is given herewith. Noticee stated that his statement was recorded by SEBI investigators in the course of an investigation. Noticee was being questioned about the choice of Annexure A2 and, looking back at the Escrow Agreement after it was shown to Noticee by the investigators, Noticee acknowledged in hindsight that the more technically correct form under the Escrow Agreement may* *have been Annexure B2 (which requires VJL's instructions to be submitted to the bank) rather than Annexure A2 (which is meant for intermediary fees). Noticee used the word "mistake" to acknowledge this in hindsight and certainly not to admit any fraudulent intent, deliberate defiance, or dishonest conduct.*

(c) Noticee's statement in the very same breath makes it clear that the payments were made entirely on VJL's instructions wherein Noticee stated that "based on the instructions received from the company." Noticee stated that this context is important. Noticee was acknowledging a procedural error of form choice and not a functional wrongdoing. The money went exactly where it should have gone, for exactly the right purpose, as directed by the issuer.

(d) It is also relevant that at the time of giving Noticee's statement before SEBI, Noticee did not have the benefit of lawyer reviewing the Escrow Agreement in detail or advising Noticee on the specific provisions relating to Annexure A2 versus B2. Noticee's honest and transparent acknowledgment of what Noticee then understood to be a procedural error should be seen as honesty and not as an admission of a regulatory violation warranting penal action.

(e) Noticee also stated in his SEBI statement that VJL's instructions were informed to Noticee, to Mr. Satyen Dalal, and to Mr. Satish Sheth before being acted upon. Noticee approved acting on VJL's written request to make vendor payments, i.e., Noticee confirmed that FOCL would follow the issuer's direction on disbursement of working capital funds. Noticee did not separately deliberate on, or give specific approval for, the choice of Annexure A2 versus B2. That operational detail was handled by Ms. Mala Soneji in her direct communications with Axis Bank and Ms. Mala Soneji stated that she was guided by the banker to the issue on the choice of form.

F. <u>The statement of Ms. Mala Soneji before SEBI</u>

(a) Ms. Mala Soneji's statement before SEBI stated that she informed senior management including Noticee, Mr. Satish Sheth, and Mr. Satyen Dalal about VJL's instructions, and that after discussion among themselves, she was told to authorise the transfers. Noticee does not dispute that she informed Noticee of VJL's instructions and that Noticee approved acting on those instructions. However, the correct characterisation of what was approved is critical to a fair assessment of Noticee's role.

(b) What was approved by Noticee and by FOCL's senior management was the substance of the transaction that FOCL would act on VJL's written instructions to make payments to VJL's gold vendors for the purpose of meeting VJL's working capital requirements, which was the object of the IPO. This approval of the substance was entirely proper as FOCL was executing its client's directions for the disbursement of funds for the purpose for which those funds were raised.

(c) What was not specifically/separately approved and what was not brought to Noticee's attention for approval was the specific operational detail of which annexure form (A2 or B2) should be used to instruct Axis Bank. That was a technical, form-level detail handled directly between Ms. Mala Soneji and Axis Bank's centralised IPO Operations team in Mumbai. Ms. Mala Soneji stated that she had consulted Axis Bank on which form to use and was told to use Annexure A2. This consultation and the bank's guidance was sought at the operational level between Ms. Mala Soneji and the bank and the same was without Noticee's involvement.

(d) Noticee submitted that his approval of acting on VJL's instructions cannot be equated with specific personal approval of the choice of Annexure A2 over Annexure B2. These two are totally different things. One is a business decision which was correct. The other is a procedural administrative detail which was handled at the operational level by the authorised signatory in direct consultation with the bank. It is unfair and incorrect to hold Noticee personally liable for a procedural form choice/selection that was made at the operational level, guided by the bank, and never brought to Noticee as a separate question requiring Noticee's direction.

G. Noticee's conduct- no gain, no improper motive, full cooperation

(a) Noticee has derived no personal financial benefit whatsoever from the fund transfers in question. Noticee has absolutely no relationship of any kind whether its commercial, personal, financial, or family related with any of the four gold vendors (Akshat Gold Pvt. Ltd., Karuna Bullion Pvt. Ltd., Navkar Gold and Bullion LLP, or Satva Gold). This was confirmed in Noticee's statement before SEBI. This is also fully consistent with the findings of the IR, which traced the fund trail up to three layers and found no connection to Noticee or any FOCL-related entity.

(b) FOCL incurred a loss of Rs. 24 lac on its underwriting commitment in this very IPO. The loss incurred due to underwriting demonstrates that FOCL's financial stake was aligned with the IPO's legitimate success. FOCL, and Noticee as its VP, had every commercial and professional interest in the IPO being conducted properly.

(c) Noticee has fully cooperated with SEBI's investigation. Noticee appeared voluntarily for statement recording, gave a truthful account of events including acknowledging the procedural error, submitted all documents called for, and undertook to provide further information if required. This conduct reflects transparency and also that there is no concealment or suppression and full cooperation from Noticee's end.

H. No violation of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations

(a) The SCN alleged violation of regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations. Clause 4 requires a merchant banker to at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

(b) Noticee submitted that this allegation is not correct:

(i) Noticee exercised due diligence in Noticee's supervisory role by overseeing the capital structuring, client management, and overall conduct of VJL's IPO.

(ii) Noticee approved acting on VJL's written instructions to make vendor payments which was the correct and proper exercise of professional judgment in serving the client's interests.

(iii) The specific form-level detail of which annexure to use was handled at the operational level by the authorised signatory Ms. Mala Soneji in direct consultation with Axis Bank whose professional team confirmed the form was correct. Noticee had every reason to trust this operational detail was being handled correctly.

(iv) Clause 4 requires due diligence and proper care, which were exercised in the substance of the transaction. The procedural form choice which was guided by the bank cannot constitute a failure of due diligence or professional judgment on Noticee's part.

I. <u>Legal submissions and submissions under section 15J of the SEBI Act</u>

With respect to above, Noticee-4 made submission similar to Noticee-2 and 3's submissions under 'legal submissions' and 'submissions section 15J of the SEBI Act' as mentioned hereinabove.

<u>Reply of Noticee-5 (Mr. Satyen Bhupendra Dalal)</u>

A. <u>Background</u>

(a) Noticee, Satyen Bhupendra Dalal, is Noticee No. 5 in this proceeding. Noticee is the MD of FOCL, a SEBI-registered Category-I Merchant Banker. Noticee has been associated with FOCL for approximately 20 years after acquiring majority shareholding in the firm. Noticee categorically denied all allegations made against him in the SCN and SSCN.

(b) Noticee's principal area of involvement at FOCL has been in Mergers and Acquisitions (M&A). When FOCL entered the SME IPO / Merchant Banking arena around 2012 (when clients began approaching FOCL for IPO mandates), Noticee made a deliberate and documented decision to delegate the management of the entire IPO section to Mr. Rushabh Shroff, who had been with FOCL since 2007 and had the requisite expertise.

(c) This delegation was formalised through a board resolution of FOCL passed on April 5, 2022, specifically authorising Mr. Rushabh Shroff (President- Operations), Mr. Satish Sheth (President- Operations), and Ms. Mala Soneji (Vice President- Operations) to open and operate escrow accounts, sign and execute escrow agreements, and do all related acts on behalf of FOCL in connection with SME IPO, Main Board IPO, and Open Offer mandates. Each of these three persons was authorised severally. Noticee signed this board resolution as Managing Director, certifying the same as a true copy.

(d) The effect of this structure was that the IPO section had its leadership, Mr. Rushabh Shroff, leading it with Ms. Mala Soneji and Mr. Satish Sheth reporting to him. Noticee focused on M&A matters and was not involved in the day-to-day operations of the IPO vertical.

(e) Noticee denied each and every allegation made against him in the SCN.He stated that the allegations are misconceived, factually incorrect, and not supported by the evidence on record.

(f) The SCN alleged that Noticee violated the following provisions: (a) regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations; and (b) regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III of the Merchant Bankers Regulations. None of these allegations are made out on the facts and evidence on record.

(g) The SCN alleged violation of regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III of the Merchant Bankers Regulations. The actual text of these clauses as reproduced in the SCN at paragraph 54 shows that: (a) Clause 21- prohibits association with unregistered merchant bankers (b) Clause 26- prohibits transactions in securities of the issuer on the basis of unpublished price sensitive information (c) Clause 27- requires reporting of securities transactions to SEBI (d) Clauses 29 and 30- deal with SEBI's right to inspect and the procedure therefor none of these clauses have any application to the facts of this case. Noticee did not associate with any unregistered

merchant banker, did not transact in VJL's securities, and did not fail to report any securities transaction. Clauses 29 and 30 impose no obligation on Noticee as they deal with SEBI's inspection rights. The inclusion of these clauses in the SCN against the Notice is clearly erroneous and these alleged violations deserve to be dropped in limine.

B. <u>SEBI's investigation found no mis-utilisation</u>

(a) As per the investigation report, there has been no misutilization of IPO proceeds and the said report stated that:
"Keeping in view the similar invoices submitted by VJL, FOCL and the third parties, GST filings of VJL and fund trail of the IPO proceeds, it is concluded that the IPO proceeds have been utilized as per the Objects of Issue and no negative inference is drawn."

(b) It is the finding of SEBI, after conducting a detailed examination of the escrow account, fund trail (up to three layers), vendor invoices, GST filings, and all available documentation that VJL's entire net IPO proceeds went to genuine gold vendors for genuine gold purchases. It was as per the IPO object. SEBI has not found a single rupee transferred wrongfully to Noticee or any entity connected to FOCL.

(c) This finding is the foundation of Noticee's defence. The allegation against Noticee in the SCN was that Noticee allowed a "leadership vacuum" to develop at FOCL by delegating operational responsibilities and remaining detached from IPO operations. If his leadership led to an outcome where 100% of the investors' funds were used correctly for the purpose stated in the IPO document, then it is not fair to call a "leadership vacuum." A vacuum would have resulted in siphoning or loss. Here, the outcome was perfect compliance.

C. <u>Noticee's alleged involvement in the VJL fund transfers:</u>

(a) The SCN relied on the statement of Mr. Rushabh Shroff (Noticee No. 4) before SEBI, in which he said that Noticee-5 was "aware" of the transfer of funds to third parties from the escrow account, and that instructions from VJL were "informed to" Noticee before being acted upon.

(b) As MD, Noticee was aware that FOCL was managing VJL's IPO, and that upon listing approval, the IPO proceeds would be disbursed to meet VJL's working capital requirements, i.e., purchasing gold as per the object of the IPO. This general awareness is as good as a company's MD knowing that its finance department is processing vendor payments.

(c) Noticee was not involved in deciding which vendors would be paid, how much, on what day, through which bank instruction form, or through which escrow mechanism. These were operational decisions made by Mr. Rushabh Shroff, Ms. Mala Soneji, and Mr. Satish Sheth as they were the persons formally and severally authorised to operate the escrow accounts under the board resolution.

(d) It was submitted that Mr. Rushabh Shroff's statement only attributes to the Noticee-5 a general knowledge that VJL's working capital funds were being paid to gold vendors which was the correct and intended purpose of the IPO. Without prejudice to the foregoing, for the operational convenience and industry practice the funds were directly transferred to vendors/suppliers as per Company official's directions. Noticee was not

told about, and did not deliberate on, the specific question of which annexure form should be used for the bank instruction. That was an operational detail handled between Ms. Mala Soneji and Axis Bank.

(e) *Ms. Mala Soneji had stated before SEBI that she informed senior management about VJL's instructions and received approval to authorise the transfers. Noticee does not dispute that approval was given at the level of FOCL's senior management to act on VJL's written instructions for making payments to gold vendors. FOCL was following its client's directions for disbursement of working capital funds as per the IPO object for operational convenience and as per industry practice. However, what was approved was only the substance of the transaction and not the specific operational detail such as which annexure form to use. That form-level detail was handled directly between Ms. Mala Soneji and Axis Bank without Noticee's involvement.*

(f) *Without prejudice to the foregoing, the direct transfer of funds to VJL's vendors from the escrow account was done for operational convenience and as per industry practice. This is a common practice in SME IPOs where the issuer directs the merchant banker to make payments directly to its vendors for efficiency. VJL's MD specifically directed this route through written instructions on official letterhead and through email communications from VJL's compliance email ID complianceveerkrupa@gmail.com. Noticee as MD was not involved in this operational detail.*

D. <u>Formal delegation is not abdication of responsibility</u>

(a) *The SCN refers Noticee's non-involvement in IPO operations as an "abdication of regulatory responsibility" and a "leadership vacuum." Noticee disputed this.*

(b) *A Managing Director cannot be expected to personally supervise every operational action in every business section. A formal delegation is a recognised and necessary feature of corporate governance. Every large and medium-sized organisation operates through specialised sections with delegated authority. The very purpose of having a board resolution specifically authorising designated persons to execute escrow operations is to create a clear, documented chain of authority.*

(c) *The Hon'ble Supreme Court in Sunil Bharti Mittal v. CBI, allowed the appeals of the directors holding that merely because a person holds a controlling position in a company does not mean he can be proceeded against as accused. There must be specific material against him personally. In the present case, there is no specific material against Noticee personally.*

(d) *There is no evidence that Noticee was involved in the specific act of the choice to use Annexure A2 instead of Annexure B2 for the fund transfer instructions. Noticee was not a signatory to any Annexure A2 form. Noticee was not consulted on the choice of form. Noticee was not the one who directed Ms. Mala Soneji to execute the transfers. These were done by the persons specifically and formally authorised to do so under the board resolution.*

(e) *The SCN's allegation essentially is that as MD, Noticee should have supervised the escrow operations more closely. By this logic, it would make every MD of every merchant banker personally liable whenever any employee makes a procedural error, even though the end result is substantively/functionally correct. That cannot be the intention of the Merchant Banker Regulations.*

E. <u>The Bank's shared responsibility</u>

(a) *Axis Bank which is professional Bank and a listed entity appointed as banker to the issue and a co-signatory to the Escrow Agreement, processed the Annexure A2 forms without raising any objection and specifically confirmed that Annexure A2 was applicable under the Escrow Agreement. The banker to the issue, i.e., Axis Bank is specifically responsible for ensuring proper fund flows from the escrow account. If the Axis Bank had confirmed that the form used was correct under the Escrow Agreement, Noticee, as an MD, who had formally delegated escrow operations to his team, cannot be held personally responsible for not using correct forms.*

(b) *Mr. Mangesh Phalke, AVP, IPO Operations of Axis Bank, stated before SEBI that "As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."*

(c) *The Escrow Agreement was entered into by VJL, Axis Bank, FOCL, and KFin Technologies. Axis Bank's role includes authenticating signatures and processing fund transfer instructions. The bank's professional team, which handles multiple IPOs, reviewed and processed the Annexure A2 forms without query.*

(d) *It is also significant that Axis Bank, which is a co-signatory to the Escrow Agreement, specifically confirmed that Annexure A2 was the applicable form, and processed all transactions, has not been made a party or Noticee in the SCN. Axis Bank, as the banker to the issue and co-signatory to the Escrow Agreement, bears equal responsibility for ensuring proper fund flows from the escrow account. If there was indeed any procedural lapse in the choice of form, Axis Bank, whose professional team confirmed the form was correct, cannot escape responsibility. SEBI ought to have issued SCN to Axis Bank considering adverse remarks against it in the SCN.*

F. <u>VJL's role in this matter</u>

(a) *The SCN places the entire procedural burden on FOCL and its officers which is erroneous and misdirected. It is issuer company who is liable for giving such directions in haste without following procedures.*

(b) *VJL's MD, Mr. Chirag Arvind Shah, made a demonstrably false statement before SEBI, claiming that he personally submitted RTGS forms to Axis Bank authorising the fund transfers. This claim has been negated by:*
   - (i) *Axis Bank's RM, Mr. Sagar Vaidya, confirmed that he never received any RTGS form from VJL;*
   - (ii) *Axis Bank's AVP, Mr. Mangesh Phalke, confirmed that transfers were made only on FOCL's instruction letters with no interaction with VJL directly;*
   - (iii) *The actual instruction forms were FOCL's Annexure A2 signed by Ms. Mala Soneji; and*
   - (iv) *SEBI's investigation report recorded that VJL's MD's claim is false and that he failed to produce any supporting evidence despite multiple reminders.*

(c) *VJL's MD also sent written instructions to FOCL on VJL's official letterhead directing FOCL to make payments to specific gold vendors. VJL's MD thus voluntarily chose the route of directing FOCL to make vendor payments and then tried to conceal this before SEBI. VJL then filed a regulation 32 statement with BSE certifying no deviation in use of IPO proceeds. The issuer itself has confirmed the legitimacy of the utilisation.*

(d) Further, FOCL retrieved email communications from VJL's compliance email ID (complianceveerkrupa@gmail.com) to FOCL dated from July 15, 2022 wherein each email stating "please find attached request letter for making payment to suppliers" with attached request letters on VJL's official letterhead containing specific vendor names, amounts, bank account details and IFSC codes. These emails establish conclusively that VJL directed FOCL to make vendor payments through its official compliance email. This completely negates VJL's MD's claim that he had no role in directing the fund transfers. Noticee, as MD of FOCL, was not involved in the operational detail of receiving or processing these email instructions and the same was handled by the authorised signatories. These emails further confirm that the outcome was entirely correct and that FOCL acted on VJL's directions.

(e) In this context, it is unjust to hold Noticee as an MD of the merchant banker personally liable for what is, at most, an administrative form choice by an operational staff member. This is more so when Noticee had formally delegated operations, was not directly involved in the transfers, and the firm achieved full substantive compliance.

G. <u>Legal submissions</u>

(a) No vicarious liability without direct personal involvement: The Hon'ble Supreme Court in Sunil Bharti Mittal v. CBI, allowed the appeals of the directors holding that merely because a person holds a controlling position in a company does not mean he can be proceeded against as accused. There must be specific material against him personally. In the present case, there is no specific material against Noticee personally in connection with the choice of Annexure A2 instead of Annexure B2. Noticee was not involved in this operational detail at all. Noticee had formally delegated escrow operations through a board resolution and was focused on M&A activities.

(b) In the present case, Noticee was not involved in:
- *(i) The decision to seek VJL's instructions or to follow them;*
- *(ii) The choice of Annexure A2 instead of Annexure B2;*
- *(iii) The signing of any instruction form to Axis Bank; or*
- *(iv) The consultation with Axis Bank on which form to use.*

There is no specific act or omission on Noticee's part that caused the alleged violation.

(c) Formal delegation discharges MD's personal responsibility for operational decisions: The board resolution of April 5, 2022 is a specific, formal, and documented delegation of authority to three named persons for escrow account operations. This delegation was not informal or verbal. It was a certified board resolution signed by Noticee as MD and communicated to Axis Bank as the Escrow Agent.

(d) Technical breach- no penalty: The Hon'ble Supreme Court in Hindustan Steel Ltd. v. State of Orissa, held that penalties should not be imposed for technical or venial breaches of regulatory provisions, especially where there is no contumacious conduct or dishonest intent. SEBI's investigation report confirms zero mis-utilisation of funds and zero loss to investors. The choice of Annexure A2 is, in the context of the full facts, a venial technical lapse by operational staff- not a deliberate policy decision by the MD to circumvent regulations.

(e) Noticee is aware that the Hon'ble Supreme Court in Chairman SEBI v. Shriram Mutual Fund, (2006) 5 SCC 361, clarified that penalty under the SEBI Act may be attracted once a violation is established. However, even within this framework, the Adjudicating

Officer retains full discretion under section 15J to determine the quantum of penalty keeping in view the nature and gravity of the default, the absence of any financial gain or loss, and the good faith conduct of the noticee.

(f) *Good corporate governance was in place: The Regulations require a merchant banker to ensure good corporate policies and governance (Clause 27, Schedule III).*

In this regard, FOCL had: (a) a board resolution formally delegating escrow operations; (b) Three named authorised signatories each independently empowered to act; (c) a dedicated team for IPO operations; and (d) an MD who focused on a separate business vertical. Thus, it is not a failure of governance as alleged by SEBI.

(g) *Absence of wrongful intention- procedural lapse does not constitute fraud: Noticee has relied upon the judgement of the Hon'ble Supreme Court in Reliance Industries Limited & Ors. v. Securities and Exchange Board of India, decided on May 29, 2026.*

(h) *In the present case, investigation report conclusively holds that there was zero mis-utilisation of IPO proceeds and no investor suffered any financial loss. Since injury is impossible to be proved, wrongful intention becomes mandatory. No wrongful intention exists or has been alleged against Noticee personally. Noticee had formally delegated escrow operations through a board resolution and was not involved in any operational detail of the fund transfers. The allegation against Noticee relates entirely to his role as MD and his alleged failure to supervise- not to any direct act of wrongdoing. In the complete absence of wrongful intention, financial loss, investor harm or personal gain, no penal action against Noticee as MD is warranted.*

H. <u>No violation of regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations</u>

(a) *The SCN alleged violation of regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations. Clause 4 requires a merchant banker at all times to exercise due diligence, ensure proper care and exercise independent professional judgment.*

(b) *This allegation is not made out against Noticee personally. As MD of FOCL, Noticee had formally delegated IPO operations to Mr. Rushabh Shroff through a board resolution dated April 5, 2022. This formal delegation reflects proper care and sound professional judgment and not abdication.*

(c) *The specific alleged default, i.e., the choice of Annexure A2 instead of Annexure B2 was an operational detail handled by Ms. Mala Soneji in direct consultation with Axis Bank. The Axis Bank professional team confirmed the form was correct.*

(d) *Noticee had no involvement in this specific operational decision. Noticee stated that in the absence of any direct involvement, an allegation of violation of clause 4 against Noticee personally is unjust.*

(e) *SEBI's investigation report confirms zero mis-utilisation of funds which is the ultimate measure of whether due diligence and proper care were exercised.*

I. <u>Legal submissions and submissions under section 15J of the SEBI Act</u>

With respect to above, Noticee-5 made submission similar to Noticee-2 and 3's submissions made under 'submissions section 15J of the SEBI Act', as mentioned hereinabove.

Additional submissions of Noticee-2, 3, 4 and 5:

A. *Certain charges in the SCN have been erroneously invoked against the Noticees and are not applicable on facts*

(a) *The SCN alleged violation of regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III of the Merchant Bankers Regulations against FOCL and Mr. Satyen Dalal. The actual text of these clauses shows that:*

(i) *Clause 21 prohibits association with unregistered merchant bankers. FOCL did not associate with any unregistered merchant banker at any point.*

(ii) *Clause 26 prohibits transactions in securities of the issuer on the basis of unpublished price sensitive information. No such transaction has been alleged or exists.*

(iii) *Clause 27 requires reporting of securities transactions to SEBI. No securities transaction was undertaken by any Noticee requiring such reporting.*

(iv) *Clauses 29 and 30 deal with SEBI's right to inspect and the procedure therefor. These clauses vest rights in SEBI and impose no obligation on merchant bankers whose breach could attract penal consequences.*

None of these clauses have any application whatsoever to the facts of this case. Their inclusion in the SCN against FOCL and Mr. Satyen Dalal is clearly erroneous. These charges deserve to be dropped in limine.

(b) *The SCN alleged violation of regulation 272(3) of the ICDR Regulations against the Noticee-3, 4 and 5. Regulation 272 does not contain any sub-regulation (3). It has only sub-regulations (1) and (2). A charge framed under a provision that does not exist in law is bad on its face and cannot be sustained. This charge deserves to be dropped forthwith.*

B. *Transfer of funds to vendors under ICDR Regulation 272*

Regulation 272:

(a) *Regulation 272(1) of the ICDR Regulations states that the lead manager shall confirm to the banker to the issue that all formalities in connection with the issue have been completed and that the banker is free to release the money to the issuer.*

(b) *Regulation 272(2) states that the lead manager shall ensure that the monies received in respect of the issue are released to the issuer in compliance with the provisions of section 40(3) of the Companies Act, 2013.*

Section 40(3) of Companies Act, 2013 does not apply after allotment:

(c) *Section 40(3) of the Companies Act, 2013 provides that all monies received on application from the public shall be kept in a separate bank account and shall not be utilised for any purpose other than adjustment against allotment of securities or refund to applicants.*

(d) *Section 40(3) governs the pre-allotment period. It deals with application money received from the public and restricts its use until allotment is complete. Once allotment is done and listing approval is received, the application money stands converted into the company's own capital. It is no longer application money; it is VJL's own funds raised through the IPO.*

(e) In the present case, VJL received listing and trading approval from BSE on July 15, 2022. Allotment had been completed before this date. The fund transfers to vendors took place on July 16, 18 and 19, 2022 after allotment and after listing approval. Section 40(3) had already been fully complied with. Section 40(3) therefore has no application to the post-allotment disbursement of funds.

<u>Regulation 272- purposive interpretation</u>:

(f) Regulation 272 must be read purposively. Its purpose is to ensure that IPO proceeds reach the issuer as opposed to being misappropriated or diverted to unrelated entities. The regulation is designed to protect investors by ensuring their money reaches the company that made the IPO and is used for the stated purpose.

(g) In the present case, VJL's MD himself directed FOCL to make payments to VJL's gold vendors from the escrow account through written instructions on official letterhead and through email from VJL's own compliance email ID. These were VJL's vendors for VJL's gold purchases and the same was as per the stated object of the IPO. The issuer exercised full control and ownership over its funds by specifically directing where they should go.

<u>Substance over form</u>:

(h) It is a well settled principle that substance must prevail over form. The substance of what happened is as follows:

(i) VJL's IPO proceeds were used for the purchase of gold inventory for VJL's jewellery business for working capital purpose as per the object stated in the IPO prospectus.

(ii) Investigation report after examining the escrow account, fund trail up to three layers, vendor invoices and GST filings has conclusively confirmed that the IPO proceeds were utilised as per the objects of the issue and no negative inference is drawn.

(iii) The fact that the funds went directly from the escrow account to VJL's vendors instead of first going to VJL's own account and then to vendors does not change the substance of what was achieved. Though the route was different, the destination and purpose were identical. The end result was complete compliance with the IPO's stated object.

<u>VJL's direction and certification</u>:

(i) VJL's MD certified in each request letter that "This fund is being utilized for the working capital of the Company and it is in accordance with the object of the Company." VJL subsequently filed a regulation 32 compliance statement with BSE on April 20, 2023 which was reviewed by its Audit Committee certifying that there was no deviation in use of IPO proceeds. Thus, the issuer at multiple levels confirmed that the fund utilisation was in accordance with the IPO object.

<u>No investor harmed</u>:

(j) Regulation 272 is ultimately an investor protection provision. Not a single investor has suffered any financial loss. The entire IPO proceeds were used for genuine gold purchases as stated in the prospectus. The protective purpose of the regulation has been completely achieved.

C. <u>Axis Bank's equal responsibility mitigates the Noticees' culpability</u>

(a) in another recent matter, i.e., Show Cause Notice dated June 19, 2026 in the matter of Sxxxxxs Txxxxxs Lxxxxd[1]*, SEBI made HDFC Bank Ltd, the banker to the issue in that matter, a Noticee. HDFC Bank was made a Noticee because it processed Annexure A2 forms from FOCL without proper due diligence and without checking whether they matched the Escrow Agreement. FOCL was the merchant banker in that matter as well.*

(b) This shows that SEBI itself treats a banker to the issue as responsible when it processes Annexure A2 instructions without due diligence. Axis Bank did exactly this in the present matter. Mr. Mangesh Phalke, AVP IPO Operations of Axis Bank, stated under oath that Axis Bank only checked the signatures and processed the transactions without raising any query. He also confirmed that Annexure A2 was the applicable form, which was incorrect under the Escrow Agreement. This wrong confirmation misguided FOCL into believing the form used was correct. SEBI's own investigation report records adverse remarks against Axis Bank for this very conduct.

(c) The Noticees are therefore not the only ones responsible for the lapse in this matter. Axis Bank's failure to act diligently, and its incorrect confirmation, directly contributed to the present situation. Since Axis Bank's own conduct contributed to this lapse, the Noticees should not be held solely responsible, and a lenient view is warranted in the matter.

D. <u>Axis Bank's responsibility and due diligence with reference to Escrow Agreement</u>

(a) The Escrow Agreement and the purpose of Annexure A2: The Escrow Agreement dated June 20, 2022 entered into among VJL, Axis Bank, FOCL and KFin Technologies, is fundamental to understand the responsibilities of each party in the fund transfer process post issue.

(b) The Escrow Agreement provides for two different mechanisms for fund transfer from the Public Issue Account:

Annexure A2- is provided under section 3.2.3.3 and section 3.2.3.4(iii) of the Escrow Agreement. A reading of the Escrow Agreement shows that Annexure A2 is specifically intended for payment of IPO related expenses namely lead management fees, underwriting and selling commissions, registrar fees, advisory fees and other IPO related expenses payable to intermediaries.

The actual Annexure A2 form as set out in the Escrow Agreement specifically states that it is an instruction to transfer "amounts due from the company as Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses." Annexure A2 instructions were issued by the lead manager and was expressly stated under section 3.2.3.4(iv) to be "binding on the Banker(s) to the Issue irrespective of any contrary claim or instructions from any party including the Company."

(c) How Axis Bank should have exercised due diligence: Axis Bank, as the professional banker to the issue, bore a duty of due diligence in processing fund transfer instructions

[1] Name excised for privacy.

from the Public Issue Account. The following provisions of the Escrow Agreement are relevant:

Section 6.2(i) states: "The only duties of the Public Issue Bank and Sponsor Bank are as expressly set out in this Agreement. The Public Issue Bank... shall at all times carry out their obligations hereunder diligently and in good faith."

Section 6.7 states: "Notwithstanding anything contained herein, the Public Issue Bank may refrain from taking any action which in its opinion, would or might contravene any law in any relevant jurisdiction."

Section 6.9 states: "the Public Issue Bank is entitled to request requisite clarifications from the lead manager in respect of any of the terms and conditions under this Agreement. The Public Issue Bank shall act upon any instructions so received in terms of this Agreement only when all ambiguities have been successfully removed."

(d) Reading these provisions together, Axis Bank was required to act diligently and in good faith. When Axis Bank received Annexure A2 instructions from FOCL, it was obligated to verify whether those instructions were in accordance with the Escrow Agreement. Annexure A2, as specifically defined in the Escrow Agreement, is a form for payment of intermediary fees and not for vendor payments. Axis Bank's professional IPO Operations team which handles multiple IPOs and was aware about the Escrow Agreement should have recognised that Annexure A2 instructions directing payment to gold vendors (Akshat Gold, Karuna Bullion, Navkar Gold, Satva Gold) were outside the scope of what Annexure A2 was meant for.

(e) At least Axis Bank should have raised a query as intended under section 6.9 of the Escrow Agreement and sought clarification from the lead manager before processing such instructions. Section 21 of the Escrow Agreement specifically provides: "If any of the instructions are not in the form set out in this Agreement, the Public Issue bank shall bring it to the knowledge of the Company and the lead manager to the issue immediately and seek clarifications."

(f) Instead of doing this Axis Bank's professional team processed the instructions without raising any query whatsoever. Mr. Mangesh Phalke AVP IPO Operations, who acted as the checker, confirmed the transactions and specifically stated that A2 was applicable under the Escrow Agreement. This confirmation that A2 was applicable for vendor payments was itself incorrect as per the Escrow Agreement. The negligence on the part of Axis Bank led to this situation.

(g) Axis Bank's liability- mitigation through Escrow Agreement provisions: It was acknowledged that the Escrow Agreement contains certain provisions that limit Axis Bank's liability. Specifically:

Section 6.10 states: "…the Public Issue Bank's sole responsibility shall be to execute the written instruction of the Party in capacity as a Public Issue Bank."

Section 6.11 states: "….the Public Issue Bank and Sponsor Bank shall be entitled to rely upon the contents of such communications as being true."

Section 6.12 states: "…the Public Issue Bank shall be entitled to presume that such permission or approval has been duly obtained."

(h) *These provisions indicate that Axis Bank is entitled to rely on instructions received and is not required to independently verify their correctness. However, these provisions do not absolve Axis Bank of its obligation to act diligently and in good faith under section 6.2(i) and specifically its obligation under section 21 to bring to the parties' knowledge any instructions that were not in the prescribed form.*

(i) *Inference:*

(i) *Annexure A2 under the Escrow Agreement was specifically meant for intermediary fee payments and not for the vendor payments.*
(ii) *Axis Bank received A2 instructions directing payment to gold vendors which was outside the scope of A2.*
(iii) *Axis Bank should have raised a query under section 6.9 and section 21 of the Escrow Agreement before processing.*
(iv) *Instead, Axis Bank processed without any query and confirmed that A2 was applicable. This confirmation in itself was incorrect.*
(v) *Though Axis Bank has some protections under sections 6.10, 6.11 and 6.12, these cannot override its duty to act diligently and in good faith.*
(vi) *FOCL in turn relied on Axis Bank's professional confirmation and had every reason to trust the banker to the issue and had received written instructions from the Issuer Company, VJL, to make those payments.*

E. Comments on Mr. Mangesh Phalke's statement

(a) *Mr. Mangesh Phalke is the assistant vice president of IPO Operations at Axis Bank Limited. He was the "checker" in the team that processed the fund transfer transactions. As a checker, his specific function was to verify and approve each transaction before it was executed. It was not expected of him that he would mechanically process the papers as he was a senior professional specifically responsible for approving IPO fund transfer transactions.*

(b) *Mr. Mangesh Phalke stated before SEBI under oath that:*
"Based on the request received from the Merchant Banker, we checked the signatures and executed the transactions. As per the Escrow Agreement, Annexure A2 is applicable and so we have processed these transactions."
"We just authenticate the signatures on the request letter received from Merchant Banker and accordingly execute the fund transfers. The only supporting document is the instructions letter received from Merchant Banker. There is no interaction with the issuer company."

(c) *On examination of Mr. Phalke's statement in light of the actual provisions of the Escrow Agreement, it is observed that:*

(i) *First- Mr. Phalke stated that A2 was applicable as per the Escrow Agreement. However, as submitted in Point 4 above, Annexure A2 under the Escrow Agreement was specifically meant for payment of intermediary fees and not for vendor payments. The statement that A2 was applicable for vendor payments is not consistent with the actual provisions of the Escrow Agreement. This indicates that despite having access to the Escrow Agreement, Axis Bank's professional IPO Operations team either misread its provisions or applied A2 in a manner that was beyond its intended scope.*

(ii) Second- Mr. Phalke stated that "we checked the signatures and executed the transactions." This statement reveals that Axis Bank's due diligence was limited to verifying signatures. Axis Bank did not verify whether the form used, i.e., Annexure A2 was the correct form for the type of transaction being instructed. A professional banker to the issue with access to the Escrow Agreement should have verified not only the signatures but also whether the form was being used for its intended purpose.

(iii) Third- Mr. Phalke confirmed "there is no interaction with the issuer company." The Escrow Agreement under section 3.2.3.4(vi) specifically requires that vendor payments, unlike intermediary fee payments, be directed by the Company through Annexure B2. If there was no interaction with the issuer company Axis Bank should have queried about why a lead manager was directing payments to gold vendors through an A2 form.

(d) Mr. Phalke's statement reveals that Axis Bank may not have fully verified the correctness of the form used. However, this is a strong mitigating factor for FOCL. The professional banker to the issue, whose specific function is to manage IPO fund flows and who had access to the Escrow Agreement, confirmed that A2 was applicable and processed all transactions without any query.

(e) A merchant banker who submits instruction forms to a professional banker to the issue and receives no objection from that bank has every reason to trust that the forms used are correct and are being processed correctly. Due diligence does not require a merchant banker to doubt the professionalism of the banker to the issue. FOCL acted on VJL's written instructions and submitted forms to Axis Bank. Axis Bank's professional team including a senior AVP who acted as checker reviewed those forms and confirmed their correctness.

(f) All Noticees acted in good faith- FOCL, Ms. Mala Soneji and Mr. Rushabh Shroff on the issuer's written instructions and in reliance on the professional confirmation of the banker to the issue, and Mr. Satyen Dalal through formal delegation of escrow operations to specifically authorised persons by way of a Board Resolution.

(g) Even if with detailed analysis of the Escrow Agreement, it is now found that A2 was not the correct form for vendor payments, this finding does not establish that FOCL acted dishonestly or with fraudulent intent. The Hon'ble Supreme Court in Reliance Industries Limited & Ors. v. Securities and Exchange Board of India, decided on May 29, 2026, has held that where injury is impossible to be proved, wrongful intention becomes mandatory. There is zero injury and zero wrongful intention in the present case.

F. <u>Concluding submissions</u>:

(a) The present matter involves only a procedural lapse in the choice of instruction form for fund transfers from the Escrow Account;

(b) The IPO proceeds went entirely to VJL's genuine gold vendors for genuine gold purchases as stated in the objects of the IPO and the substance of every transaction was entirely correct;

(c) SEBI's investigation report confirms no mis-utilisation of IPO funds and no negative inference;

(d) Not a single investor suffered any financial loss;

(e) Several charges in the SCN have been erroneously invoked- regulation 13 read with Schedule III clauses 21, 26, 27, 29 and 30 against FOCL and Mr. Satyen Dalal, and regulation 272(3) against the individual Noticees- as these provisions have no application whatsoever to the facts of this case;

(f) The charge under regulation 272 read with section 40(3) is not established since section 40(3) had fully spent itself before the impugned transfers occurred;

(g) Personal liability under section 27(1) is not made out against any of the individual Noticees as submitted in detail in their respective replies dated May 30, 2026;

(h) SEBI's own approach in a recent matter (Sxxxxxs Txxxxxs Lxxxxd[2] , SCN dated June 19, 2026) shows that a banker to the issue is treated as responsible when it processes Annexure A2 forms without due diligence. Axis Bank engaged in identical conduct and misguided FOCL by confirming an incorrect form as applicable. Since Axis Bank's own conduct contributed to this lapse, the Noticees should not be held solely responsible, and a lenient view is warranted.

(i) In these circumstances any substantial penalty would be disproportionate and unwarranted. Noticees submitted that all proceedings against them be dropped in the interest of justice.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully perused the charges levelled against the Noticees in the SCN, their replies, submissions made during personal hearing and the material available on record. The issues that arise for consideration in the present case are as follows:

    I. Whether the IPO proceeds of VJL were transferred directly from the public issue escrow account to third-party vendors, and whether Noticee-1 failed to prevent, supervise, or question the alleged irregular transfer of IPO proceeds, thereby violated the provisions of regulation 4(2)(f)(iii)(3) of LODR Regulations?

    II. Whether Noticee-2 approved the transfer of IPO proceeds directly from the public issue escrow account to VJL's third-party vendors using an incorrect instruction form, bypassing the issuer's own account and failed to ensure adequate supervision, internal checks and regulatory compliances and failed to implement good internal code of conduct, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations, regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations and regulation

[2]Name excised for privacy.

13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations?

III. Whether Noticee-3 signed fund transfer instructions using an incorrect instruction form (Annexure A2) and facilitated direct payments to third-party vendors from the escrow account, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations?

IV. Whether Noticee-4, as a vice president and functional head of the IPO team, authorized the transfer of IPO proceeds directly from the escrow account to third-party vendors and failed to ensure appropriate transfer of IPO proceeds, verify or escalate serious lapses therein, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations?

V. Whether Noticee-5, as an MD and head of FOCL, authorized the transfer of IPO proceeds directly from the escrow account to third-party vendors and failed to exercise adequate supervision and due diligence over IPO operations, escrow transactions and internal compliances, and failed to implement good corporate policies and governance, thereby violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations and regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations?

VI. Whether Noticee-2 failed to maintain appropriate records of communication/ instructions issued by issuer company, thereby violated the provisions of regulation 14(1)(e) of Merchant Bankers Regulations?

VII. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?

VIII. If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

10. Before proceeding further, it is pertinent to refer to the relevant provisions of the SEBI Act, ICDR Regulations, LODR Regulations and Merchant Bankers Regulations, which were allegedly violated by the Noticees, as under:

SEBI Act:

"Contravention by companies.
27. (1) *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:*

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention."

ICDR Regulations:

"271. Post-issue responsibilities of the lead manager(s)
(1) The responsibility of the lead manager(s) shall continue until completion of the issue process and for any issue related matter thereafter."

"272. Release of subscription money
(1) The lead manager(s) shall confirm to the bankers to the issue by way of copies of listing and trading approvals that all formalities in connection with the issue have been completed and that the banker is free to release the money to the issuer or release the money for refund in case of failure of the issue.
…………
(3) The lead manager(s) shall ensure that the monies received in respect of the issue are released to the issuer in compliance with the provisions of the Section 40 (3) of the Companies Act, 2013, as applicable."

LODR Regulations:

"4. Principles governing disclosures and obligations
(4) 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:
(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."

Merchant Bankers Regulations:

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

"Clause 4 of Schedule III of Merchant Bankers Regulations (Code of conduct for merchant bankers)
4. A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment."

"14. Maintenance of books of account, records etc.

(1) Every merchant banker shall keep and maintain the following books of account, records and documents namely :—

(e) Records and documents pertaining to due diligence exercised in pre-issue and post issue activities of issue management and in case of takeover, buyback and delisting of securities."

"21. Lead merchant banker not to associate with a merchant banker without registration.

A lead merchant banker shall not be associated with any issue if a merchant banker who is not holding a certificate is associated with the issue."

"26. Acquisition of shares prohibited.

No merchant banker or any of its directors, partner or manager or principal officer shall either on their respective accounts or through their associates or relatives, enter into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment either from the clients or otherwise."

"27. Information to the Board.

Every merchant banker shall submit to the Board complete particulars of any transaction for acquisition of securities of any body corporate whose issue is being managed by that merchant banker within fifteen days from the date of entering into such transaction.

Provided that complete particulars of any transaction for acquisition of securities made in pursuance of underwriting or market making obligations in accordance with Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 shall be submitted to the Board on quarterly basis."

"29. Board's right to inspect.

(1) The Board may appoint one or more persons as inspecting authority to undertake inspection of the books of account, records and documents of the merchant banker for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) may be as follows namely :

(a) to ensure that the books of account are being maintained in the manner required;

(b) that the provisions of the Act, rules, regulations are being complied with;

(c) to investigate into the complaints received from investors, other merchant bankers or any other person on any matter having a bearing on the activities of the merchant banker; and

(d) to investigate suo motu in the interest of securities business or investors interest into the affairs of the merchant banker."

"30. Notice before inspection.

(1) Before undertaking an inspection under regulation 28 the Board shall give a reasonable notice to the merchant banker for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the merchant banker be taken up without such notice.

(3) During the course of inspection, the merchant banker, against whom an inspection is being carried out, shall be bound to discharge his obligations as provided under regulation 31."

11. The issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether the IPO proceeds of VJL were transferred directly from the public issue escrow account to third-party vendors, and whether Noticee-1 failed to prevent, supervise, or question the alleged irregular transfer of IPO proceeds, thereby violated the provisions of regulation 4(2)(f)(iii)(3) of LODR Regulations?

12. Before proceeding to the merits of the case, it is appropriate to deal with the preliminary issue arises for consideration in this matter. It is noted that Noticee-1 vide email dated July 02, 2026, had requested for cross-examination of Noticee-3, 4 and 5. In response to the said request, Noticee-1 was directed to first file his written reply to the SCN and was informed that his request for cross-examination would be evaluated by the undersigned only upon receipt of the reply to the SCN. On July 06, 2026, Noticee-1 attended the hearing in person and subsequent to hearing, he submitted his written reply in the matter. In this regard, I note that Noticee-1 had requested for cross-examination, however, he did not justify reasons in his reply to the SCN that why cross-examination of Noticee-3, 4 and 5 is required or necessary in this matter. Further, it is also noted that Noticee-1 did not pursue the request of cross-examination further during personal hearing and in his written submissions. Therefore, the request of cross-examination is untenable and liable to be rejected. Having dealt with the preliminary issue, I shall now proceed to address the key issues that arise for consideration.

13. The SCN alleged that the entire IPO proceeds were transferred directly to third party vendors from the public issue escrow account, bypassing the issuer's bank account. In this context, it was also observed that FOCL transferred IPO proceeds to third parties under the guise of Issue Expenses, i.e., used the wrong instruction form, in violation to the provisions of Escrow Agreement. Noticee-1, as an MD and CFO of VJL, was responsible for ensuring that the handling of IPO proceeds is completed in line with SEBI regulations. His lack of supervision and accountability enabled a process where the entire IPO amount was transferred to third-party vendors directly from the escrow account. This irregular fund flow indicated non-compliance with procedural norms intended to safeguard public issue proceeds. Consequently, Noticee-1's failure to prevent or question this irregular mode of

transfer reflected a lapse in fiduciary duties and corporate governance responsibilities expected from a MD in supervising the fund flow from IPO escrow account, and therefore, he violated the provisions of regulation 4(2)(f)(iii)(3) of LODR Regulations.

14. In response to above allegations, Noticee-1 submitted that he has no connection with the other Noticees and he has not committed any regulatory or statutory wrongdoing. He contended that the decision to route the payments through Annexure A2 rather than Annexure B2, was a matter entirely internal to FOCL and Axis Bank, executed pursuant to their respective obligations as lead manager and banker to the issue under the Escrow Agreement. Noticee-1 argued that a lapse in form selection at the lead manager/banker to the issue's end, of which the Company was never informed, cannot be attributed to a governance or supervisory failure on his part. Noticee-1 further stated that VJL through Noticee, in his capacity as Managing Director addressed written requests on the Company's letterhead to FOCL, identified the specific vendor, quantity of gold, and amount to be remitted against actual purchase invoices, and requested that the payments be released directly to the vendors as the funds were required for the working capital of the Company in accordance with the object of the Issue. The Company directed and documented the utilisation of funds for a genuine business purpose, before the funds left the escrow account.

15. In this regard, it is noted that Noticee-1 admitted that nearly 100% of the IPO proceeds amounting to approximately ₹7.95 crore out of the total ₹8.10 crore raised from public investors were transferred directly from the public issue escrow account to third-party vendors, bypassing VJL's own bank account. Such direct routing represents a gross non-compliance with the procedural framework mandated under the ICDR Regulations, which strictly requires that the public issue proceeds be credited to the issuer's bank account prior to any utilization.

16. The contentions of Noticee-1 that he had no connection with the other Noticees, the choice of instruction form was a matter entirely internal to FOCL and Axis Bank and that the Company was never informed of the lapse in form selection by the lead manager/banker to the issue, are wholly irrelevant to the allegations levelled

against him. The SCN neither alleged any collusion between Noticee-1 and other Noticees nor held him responsible for the choice of internal banking forms. Rather, it was alleged that Noticee-1 authorised and instructed the transfer of IPO proceeds to third-party vendors directly from the escrow account, effectively bypassing the issuer's account. Therefore, as the MD and CFO of VJL, he was under a fiduciary obligation to ensure that public subscription monies were handled properly and credited to VJL's designated bank account in compliance with the ICDR Regulations. Instead of enforcing this compliance, Noticee-1 himself initiated the non-compliant instructions and thus failed to discharge the obligations cast upon him as the MD and CFO of the issuer company.

17. Noticee-1 further submitted that the Company directed and documented the utilisation of funds for a genuine business purpose, before the funds left the escrow account. It is noted that Noticee-1 admitted that he gave the written instructions to FOCL requesting transfer of the IPO proceeds to the issuer company's four gold vendors. Acting on such instructions, the lead merchant banker through banker to the issue effected the impugned transfers directly from the public issue escrow account to the third-party vendors. Thus, Noticee-1 actively authorised and initiated the course of action that resulted in the IPO proceeds being routed directly to third-party vendors, bypassing the issuer company's bank account and circumventing the regulatory safeguards governing the release of public issue proceeds. Therefore, the defense that the IPO funds were utilised for genuine business purpose does not absolve Noticee of said misconduct.

18. Further, it was observed in the SCN that Noticee-1 furnished false information to the Investigating Authority in his statement dated July 14, 2025, by claiming that he had personally signed the RTGS forms authorising the said transactions, rather than FOCL. In response, Noticee submitted that in his oral statement, he used the layman's term 'RTGS forms' to describe the vendor fund release request letters that he had signed on the Company's letterhead. He contended that there was no intent to mislead the authority, rather, he was unfamiliar with the technical banking nomenclature of the escrow agreement, a document to which he was not directly privy to. He stated that this position is supported by the fact that the actual signed request letters exist on record and are independently corroborated by FOCL's own

submissions to SEBI. In this regard, it is noted that Noticee-1 in his statement dated July 14, 2025, submitted that *"I made the payments to purchase gold from escrow account by submitting RTGS forms to Axis Bank at Ahmedabad branch."* and *"I signed the RTGS forms to transfer amount from escrow account."* These specific assertions demonstrate that Noticee explicitly claimed that he himself had signed the RTGS forms authorising the said transactions and submitted same to Axis Bank at Ahmedabad branch. Therefore, the contention made by Noticee that he intended to refer to the request letters signed by him on the Company's letterhead and directing the release of funds to the vendors is an afterthought and is not acceptable.

19. In view of the above, I find that Noticee-1 failed to discharge the fiduciary duties and governance responsibilities expected of the MD and CFO of the issuer company. Noticee-1 was responsible for ensuring that the handling of IPO proceeds conformed strictly to SEBI regulations. However, instead of implementing proper safeguards, he authorised and initiated the irregular fund transfer of IPO proceeds, which was in deviation to the prescribed regulatory mechanism governing the routing of subscription monies. Such conduct reflects a failure to exercise due care, diligence and oversight in relation to the handling of public issue proceeds and is inconsistent with the standards of governance expected from the managing director of a listed company.

20. Therefore, I hold that Noticee-1 violated the provisions of regulation 4(2)(f)(iii)(3) of the LODR Regulations.

Issue II. Whether Noticee-2 approved the transfer of IPO proceeds directly from the public issue escrow account to VJL's third-party vendors using an incorrect instruction form, bypassing the issuer's own account and failed to ensure adequate supervision, internal checks and regulatory compliances and failed to implement good internal code of conduct, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations, regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations and regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations?

Issue III. Whether Noticee-3 signed fund transfer instructions using an incorrect instruction form (Annexure A2) and facilitated direct payments to third-party vendors from the escrow account, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations?

Issue IV. Whether Noticee-4, as a Vice President and functional head of the IPO team, authorized/ was aware of the transfer of IPO proceeds directly from the escrow account to third-party vendors and failed to ensure appropriate transfer of IPO proceeds, verify or escalate serious lapses in transfer of proceeds and failed to maintain appropriate records/ document trails, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations?

Issue V. Whether Noticee-5, as an MD and head of FOCL, authorized/ was aware of the transfer of IPO proceeds directly from the escrow account to third-party vendors and failed to exercise adequate supervision and due diligence over IPO operations, escrow transactions, and internal compliances, and further failed to implement good corporate policies and governance, thereby created a leadership vacuum that enabled alleged violations and irregular transfer of IPO proceeds, thus violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations and regulation 13 read with clause 21, 26, 27, 29 and 30 of Schedule III of Merchant Bankers Regulations?

21. The SCN alleged that Noticee-2 (FOCL), acting as a merchant banker to the issue, instructed the transfer of almost the entire IPO proceeds amounting to ₹7.95 crore directly from the public issue escrow account to the third-party vendors of VJL, thereby bypassing the issuer company's bank account. It was alleged that these transfers were executed by using Annexure A2, an instruction form specifically prescribed for payment of IPO related intermediary expenses and not for disbursement of issue proceeds towards the objects of the issue. According to the

SCN, such routing of funds circumvented the mandatory control mechanism envisaged under regulations 271(1), 272(1) and (3) of the ICDR Regulations, which require that public issue proceeds be credited to the issuer’s bank account before being utilised for the stated objects of the issue. Further, it was alleged that Noticee-2 effected the transfer of IPO proceeds to third-party vendors under the guise of ‘Issue Expenses’ by using an incorrect instruction form (Annexure A2) in contravention to the Escrow Agreement.

22. On the basis of the above, the SCN also attributed individual responsibility to Noticees 3, 4 and 5 for their respective roles in facilitating the impugned fund transfers. Insofar as Noticee-3 is concerned, it was alleged that she signed all fund transfer instructions by using the incorrect instruction form, namely Annexure A2 and thereby facilitated direct payment of IPO proceeds from the escrow account to VJL's third-party vendors without verifying or questioning the appropriateness of employing a form exclusively meant for payment of IPO intermediary fees. In respect of Noticee-4, it was alleged that, being the vice president and functional head of the IPO team, he occupied a decision-making position and was responsible for reviewing and authorising the impugned fund transfers from the escrow account. With regard to Noticee-5, it was alleged that, as the MD and head of FOCL, he was ultimately responsible for ensuring that the merchant banker discharged its statutory obligations in accordance with the applicable regulatory framework. However, he allegedly failed to exercise effective supervision over the escrow operations and fund transfers, failed to exercise due diligence, independent professional judgment and reasonable care, and failed to put in place adequate internal controls and governance mechanisms, thereby enabling the alleged violations to occur under his watch.

23. In response to the allegations, Noticee-2 submitted that the transfer of IPO proceeds was made pursuant to written instructions issued by the MD of VJL, Mr. Chirag Arvind Shah, on the Company’s letterhead and FOCL did not act without the issuer’s prior authorisation. Noticee-2 stated that the exact funds were transferred to the specific vendors in designated bank accounts as per VJL’s request letters, thereby ensuring the entire IPO proceeds reached VJL’s gold vendors for genuine gold purchases. Noticee-2 further contended that the direct

transfer of funds from the escrow account to VJL’s vendors was undertaken only for operational convenience, pursuant to the issuer’s instructions and in accordance with an industry practice commonly followed in SME IPOs, where merchant bankers directly remit payments to vendors for efficiency and speed. Further, it submitted that there was no mis-utilisation and no siphoning of funds and no financial loss to any investor.

24. Similarly, Noticee-3 submitted that the transfers of IPO proceeds were effected pursuant to written instructions issued by the MD of VJL, on the Company’s letterhead. She submitted that upon receipt of such instructions, the matter was first brought to the attention of Mr. Rushabh Shroff, following which Mr. Satish Sheth and the Managing Director of FOCL, Mr. Satyen Dalal, were also informed. She stated that the matter was considered and deliberated upon by the senior management of FOCL, which thereafter instructed her to execute the fund transfers. She contended that the decision to make payments directly to the vendors was taken by the senior management of FOCL and that her role was confined to implementing the instructions received from her superiors. In this regard, Noticee-4 submitted that he had approved only the commercial decision that FOCL should act upon the written instructions of VJL for making payments to its gold vendors towards working capital requirements. However, he denied having approved or even considered the operational aspect relating to the use of specific form (Annexure A2 or B2) while issuing instructions to Axis Bank. In similar lines, Noticee-5 submitted that the approval granted by the senior management was confined solely to the commercial substance of the transaction, namely, acting upon VJL's written instructions for making payments to its vendors, and did not extend to the technical manner in which such transfers were to be executed. He further contended that the direct transfer of funds from the escrow account to VJL's vendors was undertaken only for operational convenience, pursuant to the issuer's instructions, and in accordance with an industry practice commonly followed in SME IPOs.

25. In this regard, I note that it is an admitted position that the IPO proceeds, amounting to ₹7.95 crore, were directly transferred from the public issue escrow account to the third-party vendors of VJL, bypassing the issuer’s bank account. From the

cumulative submissions of Noticee-2 to 5, it is evident that this course of action was undertaken with the full knowledge of the Noticees and with the approval of Noticee-3, 4 and 5. Noticee-3 has admitted that she executed the fund transfer instructions after the matter had been deliberated upon and approved by the senior management of FOCL. Likewise, Noticee-4 has admitted that he approved the proposal that FOCL should act upon the written instructions of VJL for making payments directly to its gold vendors towards the issuer's working capital requirements. Noticee-5 has also admitted that the senior management approved the said transfer of funds directly from the escrow account to the vendors as per the issuer's written instructions. These admissions unequivocally establish that the impugned routing of IPO proceeds was a conscious and deliberate course of action adopted with the knowledge and approval of the senior management of FOCL. The fact that the transfers were effected pursuant to written instructions of the issuer cannot dilute the statutory obligations cast upon a SEBI registered merchant banker. Regulation 272 of the ICDR Regulations casts an independent regulatory obligation upon the lead manager to ensure that the subscription monies are released to the issuer in accordance with law. Regulatory compliance cannot be compromised merely because the issuer requested or consented to a particular course of action. Thus, the submission that the IPO proceeds were transferred to third-party vendors based on the issuer's instruction is not acceptable and Noticee-2 to 5 are responsible for the transfer of IPO proceeds directly from the public issue escrow account to the third-party vendors of VJL.

26. Further, Noticees submitted that that the IPO proceeds were transferred to genuine gold vendors towards actual gold purchases and routing the IPO proceeds through VJL's account first would have ultimately resulted in the funds reaching the very same vendors for the same gold purchases. In this regard, it is noted that the allegations in the SCN do not relate to the ultimate utilisation of the IPO proceeds but to the Noticees' failure to adhere to the mandatory regulatory framework governing the routing and transfer of such proceeds. The fact that the funds ultimately reached the same vendors for the stated objects of the issue does not erase or cure the admitted deviation from the procedure prescribed under the ICDR Regulations. Consequently, while the commercial legitimacy of the end-use may be taken into consideration for the limited purpose of determining the penalty,

Noticees remain liable for the underlying regulatory violation. Therefore, the aforesaid submissions of the Noticees are not acceptable.

27. Further, with respect to contention of Noticee-2 to 5 that such direct payments from the public issue escrow account to the issuer's vendors, upon the issuer's instructions, are commonly followed in SME IPOs, I find that the said contention is not supported by any cogent evidence. Noticees have merely made a bald assertion without placing on record any material or credible evidence to demonstrate that direct transfer of IPO proceeds from the public issue escrow account to third-party vendors constitutes an accepted or established practice in SME IPOs. In any event, even if such a practice existed, the same cannot dilute the express and mandatory requirements of the ICDR Regulations. The impugned fund transfers, involving almost the entire IPO proceeds, were carried out without any effective internal verification to ensure compliance with the prescribed regulatory framework. Accordingly, I hold that Noticee-2 to 5 failed to exercise due diligence, ensure proper care and exercise independent professional judgment while handling the IPO proceeds.

28. As regards the allegation relating to the use of Annexure A2, an instruction form specifically designated for payment of IPO related intermediary expenses, Noticee-3 submitted that after obtaining internal approval from the senior management of FOCL, she sought confirmation from Mr. Sagar Vaidya, Relationship Manager, Axis Bank, who allegedly advised her telephonically to use Annexure A2 instead of Annexure B2. Similarly, Noticee-2, 4 and 5 submitted that FOCL's authorised signatory, Ms. Mala Soneji executed Annexure A2 instruction forms based on the aforesaid advice allegedly received from the banker to the issue. Noticees further contended that Mr. Mangesh Phalke, assistant vice president of IPO Operations, Axis Bank, who processed and approved the transactions in the capacity of checker, also stated during the investigation that Annexure A2 was the applicable form.

29. I note that it is an admitted position that the impugned fund transfers were executed by using Annexure A2 which is not intended for such transfers. Further, it is noted that Noticee-3 merely made a bald assertion and has failed to produce any

documentary or verifiable evidence to substantiate her claim that the bank relationship manager suggested the use of an incorrect form over a telephone conversation. In handling of public issue proceeds, compliance cannot be founded upon unverified oral communications. More importantly, any alleged verbal advice expressed by an employee of the banker to the issue cannot override the express contractual provisions contained in the duly executed Escrow Agreement. The Escrow Agreement constituted the governing framework regulating the operation of the escrow account and clearly provided the manner in which instructions were required to be issued for different categories of payments. A merchant banker cannot justify departure from such contractual and regulatory requirements merely by relying upon an unverifiable telephonic conversation with a bank official. Noticee-3 was the board approved designated authority of the merchant banker entrusted with the responsibility of operating the escrow account and issuing fund transfer instructions on behalf of FOCL. Such authority carried with it a corresponding obligation to exercise independent professional judgment, conduct due diligence and ensure that every instruction issued by her was strictly in accordance with the Escrow Agreement and the applicable regulatory framework. Reliance on an alleged telephonic assurance, even if assumed to have been given, could neither absolve Noticee-3 of her statutory obligations nor justify non-compliance with the prescribed procedure. Her failure to verify the correctness of the instruction form and her decision to execute fund transfers through a form intended exclusively for payment of intermediary expenses constitute a clear departure from the standards of due diligence, care and professionalism expected from a board-approved designated authority of a merchant banker.

30. Further, Noticee-3 submitted that she was a junior employee and not a decision maker, who executed instructions given by the senior management and on the professional guidance of Axis Bank. In this regard, it is noted that Noticee-3 was not a mere administrative clerk, she was a board-approved, designated authorized signatory specifically empowered to open and operate escrow accounts, sign and execute escrow agreements, and do all related acts on behalf of FOCL in connection with IPO mandates. Therefore, she must have ensured that the instructions being issued and executed were compliant with the provisions of

Escrow Agreement and applicable regulatory framework. The defence of acting under the directions of senior management cannot absolve a board authorised officer from liability where the officer consciously participates in an act which is inconsistent with the governing regulatory framework. Compliance obligations imposed under the securities laws are personal as well as institutional in nature, and every authorised functionary entrusted with handling public issue proceeds is expected to exercise due diligence, ensure proper care, exercise independent professional judgement before signing the fund transfer instruction forms affecting IPO proceeds. Therefore, the above contentions of Noticee-3 are untenable and cannot be accepted.

31. In respect of allegation of use of form Annexure A2 for transfer of IPO proceeds from the public issue escrow account to VJL's vendors, Noticee-4 submitted that he had only reviewed and approved the substance of the transaction that FOCL would act on VJL's written instructions to make payments to VJL's gold vendors. He further argued that the reference to 'mistake' regarding use of form Annexure A2 in his statement recorded during investigation was in hindsight, that Annexure B2 would have been the technically appropriate form under the Escrow Agreement and was not an admission of any deliberate or dishonest conduct. In this regard, it is noted that Noticee-4 was actively involved in the decision-making process relating to the direct transfer of IPO proceeds from the Public Issue Escrow Account to the issuer company's third-party vendors and admittedly approved the said course of action. In his statement, Noticee-4 admitted that *"it was a mistake from FOCL's side that we filled up the wrong form to transfer the funds from IPO Escrow Account to third parties",* thereby acknowledging that they filled wrong form to transfer the funds from IPO escrow account to third parties and it was a mistake from FOCL's side. It indicates that he had the knowledge of and also involved in the said act and now he is trying to shift the responsibility. The plea now raised that he merely approved the commercial decision and had no role in the choice of Annexure A2, which was allegedly an operational matter handled exclusively by Noticee-3 in consultation with Axis Bank, finds no support from his contemporaneous statement or any other material on record. This defence has been raised for the first time in reply to the SCN and appears to be a clear

afterthought intended to distance himself from the admitted lapse. Accordingly, the aforesaid submission is untenable.

32. Regarding said allegation of use of form Annexure A2 for transfer of IPO proceeds from the public issue escrow account to VJL's vendors, Noticee- 5 submitted that he only reviewed and approved the substance of the transaction that FOCL would act on VJL's written instructions to make payments to VJL's gold vendors for the purpose of meeting VJL's working capital requirements. He contended that he was not informed of, nor did he deliberate upon, the specific and granular operational details, such as which annexure form to use for the transfers. That form level detail was handled directly between Ms. Mala Soneji and Axis Bank without his involvement. In this regard, it is noted that the material available on record does not contain any direct evidence to show that Noticee-5 was aware of or involved in the choice of annexure form for transfer of IPO proceeds. However, the fallacy of Noticees' argument comes to light when it is understood that neither Instruction Form in Annexure A2 nor B2 could have been used to transfer IPO funds directly to third party vendor from the escrow account. Therefore, I note that the choice of Instruction Form is not the key aspect rather the decision to directly transfer the IPO proceeds.

33. Further, it is curious to note that neither Annexure A2 nor Annexure B2 is intended to be used for the purpose of transferring almost 100% of IPO proceeds to third party vendors directly instead of transferring the same to Issuer's bank account. In the scheme of IPO, there is no specific form provided for such purpose and use of Annexure A2 or B2 would have invariably resulted in the same lapse. I note that Noticee-4 and 5, while trying to shift responsibility on Noticee-3 by contending that she used incorrect Annexure, conveniently downplayed the fact that there is no such form to transfer funds to third parties which shows that they were aware that the said authorization to transfer funds to third party was illegal. Therefore, the instant contention of the Noticee-4 and 5 regarding their respective role in the use of form Annexure A2 cannot be accepted.

34. Further, Noticee-2 to 5 have contended that Axis Bank, being the banker to the issue and a co-signatory to the Escrow Agreement, processed all the impugned fund transfer instructions, allegedly confirmed the applicability of Annexure A2 and

failed to raise any objection while processing the transactions. According to the Noticees, the banker to the issue bore equal, if not greater, responsibility for ensuring compliance with the Escrow Agreement and, therefore, SEBI ought to have initiated proceedings against Axis Bank, particularly in view of the adverse observations recorded against it during the investigation. It has also been argued that in the matter of Sxxxxxs Txxxxxs Lxxxxd[3], SEBI issued a Show Cause Notice dated June 19, 2026, to the banker to the issue also for processing fund transfer instructions without due diligence. Thus, the alleged failure of Axis Bank to exercise due diligence mitigates the culpability of the Noticees.

35. In this regard, it is noted that the banker to the issue, Axis Bank is not a party in the present proceedings and the facts of this case differ from the matter of Sxxxxxs Txxxxxs Lxxxxd[4]. It is pertinent to mention that the scope of the present proceedings is confined to examining whether the Noticees, in their capacity as a SEBI registered merchant banker and in their respective managerial roles, discharged the regulatory obligations incumbent upon them under the ICDR Regulations and the Merchant Bankers Regulations. The question whether proceedings ought to have been initiated against any other intermediary neither arises for determination in the present proceedings nor has any bearing on the obligation of the Noticees.

36. In this context, I place reliance on the observations made by the Hon'ble Securities Appellate Tribunal ("**SAT**") in the matter of *Systematix Shares & Stocks (India) Limited v. SEBI*[5], wherein it was, *inter alia*, held that:

> *"...It is true that the Board has taken action selectively against a few entities involved in the alleged wrong doing. According to the appellant the Board should have proceeded against all wrong doers and the action against the appellant and a few entities alone is also discriminatory. We cannot subscribe to this view since the Board has set its own benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful."*

37. Further, in respect of the contention of the Noticees that their liability stands mitigated on the ground that no proceedings were initiated against Axis Bank, it is

[3] Name excised for privacy.
[4] *Ibid*.
[5] Appeal No. 21 of 2012 dated April 23, 2012.

pertinent to refer to the judgement of the Hon'ble Supreme Court in the matter of Kotak Mahindra Asset Management Company Limited v. SEBI[6], wherein it was, *inter alia*, held that:

> *"This contention must be and is rejected in its entirety, as has been rightly done by the WTM and the TRIBUNAL. Apart from the established principle that negative equality cannot be claimed, there is ex facie violation of the 1996 Regulations. KOTAK AMC can neither seek shelter under the alleged violations of others to justify its own breach nor would existence of other violations, if at all, absolve KOTAK AMC of its own liability……"*

Therefore, the fact that no proceedings were initiated against banker to the issue would not absolve the present Noticees of their independent statutory obligations under the securities laws. Their liability has to be assessed on the basis of their own acts of omission and commission, rather than by reference to regulatory inaction against banker to the issue. Hence, the plea for parity with the banker to the issue is untenable.

38. Furthermore, it is noted that the contentions of the Noticees are also contrary to the contractual framework governing the operation of the public issue escrow account. Clause 3.2.3.4(iv) of the Escrow Agreement expressly provides that *"the instructions in form of Annexure A2 issued by the Lead Manager shall be binding on the Banker(s) to the Issue irrespective of any contrary claim or instructions from any party including the Company."* In fact, Noticee-2 (FOCL) has itself admitted in its reply that *"this provision was specifically designed to give FOCL's Annexure A2 instructions overriding binding force. The Escrow Agreement intended that FOCL, as Lead Manager, would be the primary driver of fund releases from the escrow account."* Further, clause 6.10 stipulates that *"…the Public Issue Bank's sole responsibility shall be to execute the written instruction of the Party in capacity as a Public Issue Bank."* Clause 3.2.3.5 provides that *"…the Public Issue Bank's and Sponsor Bank shall act upon any written instructions of the Lead Manager in relation to amounts to be transferred from the Public Issue Accounts…."* These provisions clearly delineate the respective contractual roles of the parties and indicate that the banker to the issue was contractually obligated to act upon the instructions issued by the lead manager and was not entrusted with the

[6] Order dated July 13, 2026 in Civil Appeal Nos. 6529, 4681 and 6527 of 2026

responsibility of independently determining the regulatory propriety of such instructions. Further, a conjoint reading of the aforesaid provisions, coupled with FOCL's own admission regarding its overriding authority in directing the release of funds, indicates that the contractual arrangement vested the lead manager with the primary responsibility and authority to direct disbursements from the public issue escrow account, while the banker to the issue was merely required to execute such directions. Consequently, the attempt of the Noticees to shift the responsibility for the irregular transfer of IPO proceeds upon the banker to the issue is contrary to the express terms of the Escrow Agreement and therefore devoid of merit.

39. Moreover, the material available on record further establishes that the decision to transfer the IPO proceeds directly from the Public Issue Escrow Account to the issuer company's third-party vendors originated from FOCL and was consciously deliberated upon and approved by its senior management. Noticees 3, 4 and 5 have themselves admitted that the proposal was internally discussed and approved before the fund transfer instructions were issued to Axis Bank. Thereafter, Noticee-3, being the board authorised signatory of FOCL, issued the fund transfer instructions to the Banker to the Issue. Thus, the decision to effect the impugned transfers was conceived, approved and instruction were issued by FOCL, whereas Axis Bank merely processed the instructions issued by the Lead Manager. As per regulation 272 of the ICDR Regulations, it was incumbent upon the lead manager to ensure that the subscription monies are released to the issuer in accordance with law. Hence, the primary responsibility for ensuring that the routing and transfer of the IPO proceeds strictly complied with the ICDR Regulations and the Escrow Agreement rested with FOCL as the lead merchant banker. Therefore, Noticees cannot shift their regulatory obligations by attributing equal or greater responsibility to the banker to the issue.

40. Even otherwise, assuming that Axis Bank failed to detect or question the impugned fund transfer instructions while processing the transactions, such omission, by itself, neither absolves the Noticees of their own regulatory obligations nor mitigates their liability for the violations established in the present proceedings. Thus, non-initiation of enforcement proceedings against Axis Bank does not dilute

or mitigate the obligation of FOCL and its management for their acts and omissions. Therefore, I find no merit in the above contentions of the Noticees.

41. Further, Noticee-2 to 5 contended that SEBI's investigation found zero mis-utilisation of IPO proceeds. They argued that there is no charge against them about causing any financial harm and no investor suffered any financial loss. Noticees relied upon the judgement of the Hon'ble Supreme Court in the matter of *Reliance Industries Limited & Ors. v. SEBI* and argued that when injury is impossible to be proved, wrongful intention becomes mandatory and there is no wrongful intention exists or has been alleged against it. In this regard, it is noted that there is no allegation of mis-utilisation of IPO proceeds or any financial loss to the investors in the present proceedings, however, the allegations relate to non-compliance with the mandatory procedural safeguards governing the routing and utilisation of public issue proceeds prescribed under the ICDR Regulations and the Escrow Agreement. Further, I note that the Hon'ble Supreme Court in the matter of *Reliance Industries Limited & Ors. v. SEBI* specifically examined the legal threshold for establishing "fraud" under the provisions of the PFUTP Regulations and clarified the interpretation of term "fraud" in context of the PFUTP Regulations. However, in the instant case, no allegation of fraud under the PFUTP Regulations has been levelled against the Noticees. In this regard, I note that a separate order was passed under sections 11(1), 11(4), 11(4A), 11B (1) and 11B(2) of the SEBI Act has been passed on May 29, 2026 with a finding of fraud in the IPO of VJL. Therefore, the reliance placed by the Noticees on the Reliance Industries Limited judgment is misplaced and contextually inapplicable to the present proceedings. Compliance with the regulatory framework governing public issues is not contingent upon proof of investor loss or fraudulent intent. Once the mandatory regulatory procedure governing the transfer of IPO proceeds has been breached, the absence of financial loss, wrongful gain or fraudulent intent cannot constitute a valid defence. Therefore, the above submissions of the Noticees are devoid of merit.

42. Furthermore, Noticee- 2 to 5 contended that regulation 272 should be interpreted purposively and that its object is merely to ensure that the IPO proceeds reach the issuer and are utilised for the objects stated in the Prospectus. According to the

Noticees, since the issuer company itself directed the lead manager to make payments to its vendors, the issuer exercised complete control over the funds and the end result remained identical, namely, utilisation of the IPO proceeds for the stated objects of the issue. They further submitted that substance should prevail over form and that the mere fact that the IPO proceeds were transferred directly from the public issue escrow account to the issuer company's vendors, instead of first being credited to the issuer's account, did not alter the substance of the transaction. In this regard, I note that the regulatory framework governing the handling and release of public issue proceeds is founded not merely upon the ultimate utilisation of the funds but equally upon adherence to the prescribed statutory mechanism governing their release and transfer. Regulation 272 expressly vests the lead manager with the independent responsibility of ensuring that the subscription monies are released to the issuer in accordance with law. The prescribed mechanism is an ideal process for transfer of public issue proceeds and compliance with it cannot be treated as merely procedural. Acceptance of such contention would render the mandatory procedure prescribed under the ICDR Regulations otiose and permit regulated intermediaries to substitute statutory requirements with their own assessment of commercial expediency. Therefore, the doctrine of substance over form has no application to the admitted deviation from the mandatory regulatory framework governing the release and routing of IPO proceeds. Hence, the aforesaid submissions are untenable.

43. With respect to the allegation of violation of regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III to the Merchant Bankers Regulations, Noticee-2 and 5 submitted that these provisions have been erroneously invoked against them in the SCN. According to them, clause 21 prohibits association with unregistered merchant bankers, whereas FOCL was never associated with any unregistered merchant banker. Clause 26 relates to transactions in the securities of the issuer on the basis of unpublished price sensitive information, and no such transaction has been alleged in the SCN. Clause 27 requires reporting of securities transactions to SEBI, whereas no securities transaction requiring such reporting was undertaken by any of the Noticees. As regards clauses 29 and 30, Noticees submitted that these provisions merely deal with SEBI's powers of inspection and the procedure relating thereto and do not cast any obligation upon merchant

bankers, whose breach could attract penal consequences. It was, therefore, contended that none of the aforesaid provisions have any application to the facts of the present case and that the charge alleging violation thereof deserves to be dropped.

44. In this regard, I note that the allegations in the SCN primarily relate to the improper transfer of IPO proceeds in contravention to the provisions of the ICDR Regulations. Upon a consideration of the provisions relied upon in the SCN, I find merit in the contention of the Noticee-2 and 5 that clauses 21, 26, 27, 29 and 30 of Schedule III to the Merchant Bankers Regulations do not have any nexus with the facts and allegations involved in the present proceedings. Clause 21 pertains to association with unregistered merchant bankers, clause 26 concerns trading in the securities of the issuer on the basis of unpublished price sensitive information, clause 27 relates to reporting of securities transactions, while clauses 29 and 30 deal with SEBI's power of inspection and the procedure governing such inspection. Thus, none of these provisions regulate the manner of operation of a public issue escrow account or the release and utilisation of IPO proceeds, which constitute the foundation of the allegations in the present proceedings. Therefore, I am of the view that the charge alleging violation of regulation 13 read with clauses 21, 26, 27, 29 and 30 of Schedule III to the Merchant Bankers Regulations is unsustainable and deserves to be dropped.

45. Noticee-2 to 5 further contended that the SCN alleged violation of regulation 272(3) of the ICDR Regulations, whereas regulation 272 contains only sub-regulations (1) and (2), and no sub-regulation (3). They argued that a charge founded upon a non-existent provision is legally unsustainable and, therefore, liable to be dropped. In this context, I note that regulation 272 of the ICDR Regulations, as per published under the Gazette Notification No. SEBI/LAD-NRO/GN/2018/31 dated September 11, 2018, contains three distinct sub-regulations as (1), (2) and (3) and regulation 272(3) has not been changed since publication of ICDR Regulations in the Gazette of India. However, the amended ICDR Regulations as uploaded on SEBI website mentioned sub-regulation "(2)" of regulation 272 twice, hence, it appears that sub-regulation (3) is also inadvertently numbered as sub-regulation (2) only, resulting in duplication of sub-regulation (2) in the numbering. Thus, the duplication in the

numbering of the sub-regulations in amended ICDR Regulations as uploaded on SEBI website is merely an apparent drafting or typographical error and it does not affect the existence, scope or enforceability of regulation 272(3) of the ICDR Regulations published in the Gazette of India dated September 11, 2018. Therefore, the aforesaid contention that the charge is founded upon a non-existent provision is untenable.

46. Further, Noticee-2 to 5 argued that section 40(3) of the Companies Act, 2013 governs only the pre-allotment stage and ceases to apply once allotment is completed and listing approval is obtained. Since the impugned fund transfers were effected after allotment and listing approval, section 40(3) had already been complied with and had no application to the post-allotment disbursement of the IPO proceeds, according to Noticees. At the outset, it is noted that the present proceedings do not allege any violation of section 40(3) of the Companies Act, 2013. The allegation against the Noticees is of non-compliance with regulations 272(1) and 272(3) of the ICDR Regulations. In particular, regulation 272(3) imposes an independent obligation on the lead manager to ensure that the monies received in respect of the public issue are released to the issuer in compliance with the provisions of section 40(3) of the Companies Act, 2013. Thus, regulation 272(3) incorporates section 40(3) as the statutory framework governing the release of subscription monies and it emphasizes on the responsibility of the lead manager to ensure that the release of subscription monies is effected in the manner contemplated by law. As discussed in the foregoing paragraphs, the subscription monies were not released to the issuer upon completion of the issue process. Instead, acting upon the instructions issued by the issuer company and implemented by the FOCL, the monies were transferred directly from the public issue escrow account to the issuer company's third-party vendors in lieu of the Issue Expenses. Therefore, the contention that section 40(3) became inapplicable after allotment overlooks the express mandate of regulation 272(3), which required the lead manager to ensure that the subscription monies were first released to the issuer in accordance with the prescribed regulatory mechanism. Having admittedly adopted a course contrary to the prescribed mechanism under the ICDR Regulations and the Escrow Agreement, the Noticees cannot avoid its regulatory

obligation by arguing that section 40(3) had ceased to apply after allotment. Therefore, the aforesaid submission is devoid of any merit.

47. In view of the above findings, I find that Noticee-2, FOCL, being the lead merchant banker to the IPO of VJL, failed to discharge its independent statutory obligations under the ICDR Regulations and the Merchant Bankers Regulations. The material available on record establishes that FOCL approved and implemented the transfer of IPO proceeds directly from the public issue escrow account to the issuer company's third-party vendors under the garb of issue expenses and thereby bypassed the prescribed regulatory mechanism governing the release and routing of public issue proceeds. Further, the fact that even in the absence of an Instruction Form enabling the transfer of funds directly to third parties from the escrow account, Noticee- 2 issued fund transfer instructions from the public issue escrow account without any effective internal verification and oversight demonstrates serious deficiencies in FOCL's internal control framework, supervisory mechanisms and governance standards. Consequently, I note that FOCL failed to exercise due diligence, proper care, independent professional judgment and effective oversight in the handling of public issue proceeds, resulting in non-compliance with the applicable regulatory framework.

48. Therefore, I hold that Noticee-2, as the lead merchant banker to the IPO of VJL, approved and facilitated the transfer of IPO proceeds directly from the public issue escrow account to VJL's third-party vendors using an incorrect instruction form, bypassed the issuer's account and failed to ensure adequate supervision, internal checks and regulatory compliances, violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.

49. In relation to the aforesaid allegations, Noticee- 3, 4 and 5 further contended that they cannot be held personally liable under section 27(1) of the SEBI Act in the absence of any evidence establishing their direct, active and knowing involvement in the alleged violations. Noticees submitted that they had no direct personal involvement in the alleged violations. In support of their contention, they have placed reliance upon the judgment of the Hon'ble Supreme Court in *Sunil Bharti*

Mittal v. CBI, to contend that vicarious liability cannot be fastened upon them in the absence of their direct involvement in the alleged contravention.

50. In this regard, it is noted that section 27(1) of the SEBI Act which stipulates 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".* Thus, section 27(1) creates statutory liability for persons who were in charge of and responsible for the conduct of the company's business at the relevant time. In the instant matter, the material available on record and findings made in the foregoing paragraphs clearly establishes Noticee-3, 4 and 5's specific and active involvement in the impugned transactions. The decision to transfer the IPO proceeds directly from the public issue escrow account to the issuer company's third-party vendors was consciously deliberated upon and admittedly approved by Noticees-4 and 5 in their respective capacities as vice president and functional head of the IPO team and MD of FOCL. Pursuant to such approval, Noticee 3, being the board authorised signatory of FOCL for the subject IPO, issued the fund transfer instructions by using Annexure A2, thereby facilitating the release of IPO proceeds directly from the public issue escrow account in a manner contrary to the provisions of the ICDR Regulations. As already held hereinabove, Noticee-4 was also aware of and Noticee-5 facilitated the use of Annexure A2 for effecting such transfers directly from IPO escrow account to third-party vendors. Thus, the contraventions established in the present proceedings are founded upon cogent evidence demonstrating their direct participation, approval and authorization of the impugned transactions, in addition to their being persons in charge of and responsible for the conduct of the business of FOCL in relation to the subject IPO. In these circumstances, the reliance placed by the Noticees on the judgment of the Hon'ble Supreme Court in *Sunil Bharti Mittal v. CBI* is clearly distinguishable on facts and, therefore, misplaced. Therefore, I hold that Noticee-3, 4 and 5 were persons in charge of and responsible for the conduct of the business of FOCL at the relevant time and, having actively

participated in and approved the impugned transactions, are liable under section 27(1) of the SEBI Act.

51. In view of the above findings, I hold that Noticee-3, 4 and 5 violated the following provisions:

(a) Noticee-3, as the board approved authority for performing all necessary act in relation to the IPO, signed fund transfer instructions using an incorrect instruction form (Annexure A2) and facilitated direct payments to third-party vendors from the escrow account, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations;

(b) Noticee-4, as the vice president and functional head of the IPO team, actively participated in and approved the decision to transfer IPO proceeds directly from the escrow account to third-party vendors, bypassing the issuer's own account and was aware of use of an incorrect instruction form, thus, failed to ensure appropriateness of transfer of IPO proceeds, verify or escalate serious lapses in said transfers, thereby violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations; and

(c) Noticee-5, as the MD and head of FOCL, authorized the transfer of IPO proceeds directly from the escrow account to third-party vendors, bypassing the issuer's own account, is a party to Noticee-2's use of incorrect instruction form, failed to exercise adequate supervision and due diligence over IPO operations and failed to ensure that FOCL maintained adequate internal controls and governance standards for handling public issue proceeds, thereby violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.

Issue VI. Whether Noticee-2 failed to maintain appropriate records of communication/ instructions issued by issuer company, thereby violated the provisions of regulation 14(1)(e) of Merchant Bankers Regulations?

52. It was alleged that Noticee-2 failed to maintain proper records of communications and instructions received from the issuer company in relation to aforesaid fund transfers.

53. In response, Noticee-2 submitted that each fund transfer was supported by written request letters issued by the issuer company, which were received by FOCL through VJL's official compliance email ID. Specifically, Noticee-2 highlighted that at least one of the request letters submitted by VJL bears the date July 15, 2022, which was prior to the first fund transfer on July 16, 2022. This demonstrated that FOCL received VJL's written instructions before the transfers were executed and that FOCL did not act without the issuer's prior authorisation. Noticee-2 further submitted that the said request letters, email communications and other supporting documents were duly maintained and furnished the same during the course of the proceedings. In view of the documentary evidences, including the records of communications and instructions received from the issuer company in relation to the said fund transfers, furnished by Noticee-2, I am inclined to accept the submissions of the Noticee. Therefore, the allegation that FOCL failed to maintain appropriate records and documentation is not established and is liable to be dropped. Accordingly, I hold that the allegation of violation of the provisions of regulation 14(1)(e) of Merchant Bankers Regulations by Noticee-2 is not established.

Issue VII. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?

Issue VIII. If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

54. In light of the findings and observations brought out in the foregoing paragraphs, it is evident that Noticees violated the following provisions:
   (a) Noticee-1 violated the provisions of regulation 4(2)(f)(iii)(3) of LODR Regulations;

(b) Noticee-2 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations;

(c) Noticee-3 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations;

(d) Noticee-4 violated the provisions of regulation 271(1), 272(1) and (3) of ICDR Regulations read with section 27(1) of the SEBI Act and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations; and

(e) Noticee-5 violated the provisions of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.

55. With regard to the imposition of monetary penalty, these Noticees submitted that they did not derive any wrongful gain or unfair advantage from the impugned transactions and that the transfers were undertaken bona fide, without any improper motive, solely for operational convenience and in accordance with the issuer company's instructions. They further submitted that they extended full cooperation throughout the course of the investigation and that the alleged violations, if any, are merely technical, unintentional and venial in nature, causing no loss or prejudice to investors. Accordingly, the Noticees contended that no monetary penalty is warranted. In support of its submissions, the Noticees placed reliance on the judgment of the Hon'ble Supreme Court in the matter of *Hindustan Steel v. State of Orissa*[7].

56. I find that the allegation of violations established in the matter of Hindustan Steel are materially different from the violations that have been established in the present case and Noticees have also failed to demonstrate that how the said matter will be applicable in the instant proceedings. Further, the said decision was rendered in the context of penal proceedings under a different statutory framework and on facts materially distinguishable from the present case. In the matter of *Hindustan Steel v. State of Orissa*, it was held by the Hon'ble Supreme Court that "*Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach*

[7] 1969 (2) SCC 627.

of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute." I note that the position has since been clarified by the Hon'ble Supreme Court in its order dated May 23, 2006 in the matter of *Chairman SEBI v. Shriram Mutual Fund and Anr.*[8], wherein it was held that decision in case of Hindustan Steel Ltd. pertained to criminal/quasi criminal proceedings and it would not apply to imposition of civil liabilities under SEBI Act and regulations made thereunder. Therefore, the ratio of said matter does not provide any relief to the Noticees in the instant matter.

57. Noticee- 2 to 5 further contended that that the non-compliance was technical and there was no wrongful and mala fide intention, no disproportionate gain or unfair advantage made by them and no loss was caused to the investors. I note that the violations established in the present proceedings are not merely trivial or procedural irregularity but relate to the admitted departure from the mandatory regulatory framework governing the release and routing of public issue proceeds. The safeguards prescribed under the ICDR Regulations and the Escrow Agreement are intended to ensure transparency, accountability and regulatory oversight in the handling of subscription monies and constitute an integral part of the public issue process. The contraventions established against the Noticees are, therefore, substantive in nature and cannot be characterised as merely technical or venial breaches. Consequently, the absence of wrongful intention, disproportionate gain, unfair advantage or investor loss does not constitute a valid defence to the violations established in the present proceedings. In this context, further reliance is placed on the observations of the Hon'ble SAT in the matter of *Komal Nahata v. SEBI*[9] observed that:

> *"Argument that no investor has suffered on account of non-disclosure and that the AO has not considered the mitigating factors set out under Section 15J of SEBI Act, 1992 is without any merit because firstly penalty for noncompliance of SAST Regulations, 1997 and PIT Regulations, 1992 is not dependent upon the investors actually suffering on account of such non-disclosure"*.

58. I further note that in the matter of *Kotak Mahindra Asset Management Company Limited v. SEBI* (supra), the Hon'ble Supreme Court observed that:

[8] *68 SC 216 (SC).*
[9] *Appeal No. 5 of 2014 dated January 27, 2014.*

"The contention that no loss was caused to the investors/unitholders and, on the contrary, they gained and, hence, action should not have been taken is no defence at all. The 1996 Regulations make no distinction between a breach resulting in profit and a violation resulting in loss. Neither do we. Breaches of the regulatory framework, fortuitously, could ultimately result in gain but excusing a breach which led to profit is likely to incentivize the next breach. Progression from profit to greed, from greed to regulatory breach and from breach to systemic failure is not too unfamiliar. Market integrity being the paramount consideration, profit or loss to investors is immaterial to determine whether a regulatory infraction has occurred. A wrongdoer cannot be allowed to use the plea of the investors having gained, notwithstanding the violation, as a shield for evading penalty. The 1996 Regulations operate in a specific field: to ensure compliance. Variable scenarios of violation is not contemplated."

59. Further, reliance is placed on the judgment of Hon'ble Supreme Court dated May 23, 2006 in the matter of *SEBI v. Shriram Mutual Fund (supra),* wherein it was, *inter alia,* observed that:

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."

60. Therefore, the aforesaid violations, make the Noticees liable for penalty under section 15HB of the SEBI Act, which read as under:

"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."*

61. While determining the quantum of penalty, the following factors stipulated in section 15-J of the SEBI Act are taken into account:-

"Factors to be taken into account while adjudging quantum of penalty
15J *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:-*

- *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
- *(c) the repetitive nature of the default."*

62. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of non-compliance to the provisions of LODR Regulations, ICDR Regulations and Merchant Bankers Regulations is not available. With respect to the repetitive nature of the default, I do not find anything on record against Noticee-3. The detail of previous defaults by the Noticee-1, 2, 4 and 5 are summarised in the table below:

Table-6

Noticee	Case name	Provisions violated	Date of Order	Penalty/ Directions
Mr. Chirag Arvindbhai Shah	In the matter of M/s Veerkrupa Jewellers Limited	PFUTP Regulations	May 29, 2026	₹20,00,000/- and restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities for five years.
First Overseas Capital Limited	In the matter of M/s Veerkrupa Jewellers Limited	PFUTP Regulations, ICDR Regulations and Merchant Bankers Regulations	May 29, 2026	₹30,00,000/- and restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities for five years.
Mr. Rushabh Pradeep Shroff	In the matter of M/s Veerkrupa Jewellers Limited	PFUTP Regulations	May 29, 2026	₹20,00,000/- and restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities for five years.
First Overseas Capital Limited	In the matter of First Overseas Capital Limited	Merchant Bankers Regulations	October 03, 2025	Suspended the registration certificate for a period of two months.
First Overseas Capital Limited	In the matter of First Overseas Capital Limited	Merchant Bankers Regulations, SEBI Master Circular dated September 26, 2023 and SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007	October 23, 2025	₹20,00,000/-; and (a) Restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities for two years; (b) Debarred from taking any new business mandate for a period of two years.
First Overseas Capital Limited	In the matter of inspection of First Overseas Capital Limited	SEBI Circulars, Merchant Bankers Regulations and ICDR Regulations	February 27, 2025	₹10,00,000/-

Noticee	Case name	Provisions violated	Date of Order	Penalty/ Directions
First Overseas Capital Limited	In the matter of inspection of First Overseas Capital Limited	ICDR Regulations and Merchant Bankers Regulations	February 21, 2024	₹3,00,000/-
First Overseas Capital Limited	In the matter of First Overseas Capital Limited	ICDR Regulations and Merchant Bankers Regulations	December 24, 2019	₹5,00,000/-
Satyen Bhupendra Dalal	In the matter of price manipulation by certain entities in the scrip of Darshan Orna Limited using social media channels	PFUTP Regulations	July 30, 2025	₹10,00,000/-

63. From Table-6 above, it is evident that Noticee-1 previously violated the provisions of PFUTP Regulations in relation to the IPO of VJL and Noticee-2 has been subjected to multiple regulatory proceedings in the past involving violations of the PFUTP Regulations, ICDR Regulations and the Merchant Bankers Regulations. Noticee-4 and 5 also have previously violated the regulatory provisions. These repeated regulatory defaults by the Noticees demonstrate that the present violations are not isolated lapses but form part of a pattern of recurring violations of the applicable regulatory provisions. The repetitive nature of such defaults is, therefore, a relevant aggravating factor while determining the quantum of monetary penalty. Further, the findings recorded in the present proceedings establish that the Noticees failed to discharge their statutory obligations relating to the handling and release of public issue proceeds and to exercise due diligence, proper care, effective supervision and sound governance, thereby violating the provisions of the LODR Regulations, ICDR Regulations and Merchant Bankers Regulations. The said violation by the Noticees deserve the imposition of an appropriate monetary penalty.

ORDER

64. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticees, findings made hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon

me under section 15-I of SEBI Act read with rule 5 of the Rules, I hereby impose the following monetary penalty on the Noticees:

Noticee No.	Name of Noticee	Penalty Provisions	Amount of penalty (in ₹)
1.	Mr. Chirag Arvindbhai Shah	Section 15HB of the SEBI Act	₹5,00,000/- (Rupees Five Lakh only)
2.	First Overseas Capital Ltd.		₹5,00,000/- (Rupees Five Lakh only)
3.	Ms. Mala Soneji		₹1,00,000/- (Rupees One Lakh only)
4.	Mr. Rushabh Pradeep Shroff		₹2,00,000/- (Rupees Two Lakh only)
5.	Mr. Satyen Bhupendra Dalal		₹3,00,000/- (Rupees Three Lakh only)

In my view, the said penalty is commensurate with the violations committed by Noticees in this case.

65. Noticees 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;

66. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

67. In terms of rule 6 of the Rules, copy of this order is sent to the Noticees and also to SEBI.

JAI SEBASTIAN Digitally signed by JAI SEBASTIAN Date: 2026.08.31 16:44:40 +05'30'

Place: Mumbai
Date: August 31, 2026

JAI SEBASTIAN
ADJUDICATING OFFICER