



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2026-27/32792-32795]**

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

In respect of:

Noticee No.	Noticee Name	PAN
1	Taurian MPS Limited	AAECR8361A
2	Mr. Yashvardhan Sumit Bajla	DBTPB3519Q
3	Ms. Puja Sumit Bajla	AEMPB8640P
4	Gretex Corporate Services Limited	AACCD9875F

*(The Noticees are individually referred to by their respective Noticee No. as mentioned above and collectively referred to as “**Noticees**”)*

In the matter of Taurian MPS Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) received a complaint concerning the offer document filed by Taurian MPS Ltd. in relation to its Initial Public Offer (IPO). Pursuant thereto, SEBI conducted an examination in the matter. Based on the findings of the examination, it was, *inter alia*, alleged that certain disclosures in the offer document of Taurian MPS Ltd., in relation to promoter group entities/non-promoter group entity, were either not made or were not adequately made. Accordingly, SEBI initiated adjudication proceedings against the following entities for the alleged violation of the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 (hereinafter referred to as “**ICDR Regulations**”):
 - (a.) Noticee 1: Taurian MPS Limited;
 - (b.) Noticee 2: Mr. Yashvardhan Sumit Bajla, director of Noticee 1;
 - (c.) Noticee 3: Ms. Puja Sumit Bajla, director of Noticee 1; and
 - (d.) Noticee 4: Gretex Corporate Services Limited, merchant banker to the issue.



APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) in this matter vide communiqué dated July 09, 2026 under section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge under section 15HB of the SEBI Act for the aforementioned violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice Ref. No. DIS/20055-20058/2026 dated July 31, 2026 (hereinafter referred to as “**SCN**”) was issued to Noticees in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against Noticees and why penalty, if any, should not be imposed on them in terms of the provisions of section 15HB of the SEBI Act for the aforementioned violations alleged to have been committed by Noticees.
4. The SCN dated July 31, 2026, *inter alia*, alleged the following:
 - (a.) *While Taurian Iron and Steel Private Limited (hereinafter referred to as “TISPL”) has been classified as non-promoter group entity of Noticee 1, the fact that the said company was under liquidation was not disclosed in the offer document. Accordingly, it was alleged that Noticee 1 had violated the provisions of regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations and Noticee 4 had violated the provisions of regulations 245(1) and 245(3) read with Para 5 of Part A of Schedule VI of the ICDR Regulations;*
 - (b.) *Taurian Infrastructure Pvt. Ltd. (hereinafter referred to as “TIPL”) was classified as promoter group entity of Noticee 1 in offer document. It was further observed that TIPL had defaulted on Axis Bank’s loan which was settled in FY 2020. Accordingly, the same cannot be considered as a continuing default. However, it was alleged that an appropriate risk factor in respect of the past default by TIPL was not disclosed in the offer document. Hence, it was alleged that Noticee 1 had violated the provisions of regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations and Noticee 4 had violated the provisions of regulations 245(1) and 245(3) read with Para 5 of Part A of Schedule VI of the ICDR Regulations;*



(c.) *Taurian Engineering Pvt. Ltd. (hereinafter referred to as “TEPL”) was not classified as the promoter of the Noticee 1 in offer document. In this regard, it was observed that regulation 2(1)(pp)(iv) of the ICDR Regulations stated as under:*

“(pp) “promoter group” includes:

iv) in case the promoter is an individual:

A) any body corporate in which twenty per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of their relative is a member;

B) any body corporate in which a body corporate as provided in (A) above holds twenty per cent. or more, of the equity share capital; and

C) any Hindu Undivided Family or firm in which the aggregate share of the promoter and their relatives is equal to or more than twenty per cent. of the total capital;”

(d.) *It was further observed that during the period from March 31, 2012 to March 31, 2023, Noticee 3 (promoter of Noticee 1), had increased her shareholding from 19% to 80% in TEPL. However, TEPL was not disclosed as a part of promoter group as per regulation 2(1)(pp)(iv) of the ICDR Regulations. Also, the fact that TEPL was under liquidation was not disclosed in the Offer Document. Accordingly, it was alleged that Noticee 1 had violated the provisions of regulations 2(1)(pp)(iv) and 245(1) read with para 5 of Part A of Schedule VI of the ICDR Regulations and Noticee 4 had violated the provisions of regulations 2(1)(pp)(iv), 245(1) and 245(3) read with para 5 of Part A of Schedule VI of the ICDR Regulations;*

(e.) *It was also observed that offer document contained a declaration signed by all the directors including Noticees 2 and 3 stating that all relevant provisions of the Companies Act, 2013 and the guidelines and regulations issued by the Government of India, or the guidelines and regulations issued by SEBI, as the case may be, have been complied with. Accordingly, it was alleged that in contrary to the above declaration, the offer document did not contain factually correct information in respect of TISPL, TIPL and TEPL, as discussed in preceding paragraphs. It was further observed that Noticees 2 and 3 are promoters of Noticee 1 and therefore, both of them were alleged to be privy to the information in respect of TISPL, TIPL and TEPL as these companies are connected with the promoters/promoter group of Noticee 1. Hence, it was alleged that Noticees 2 and 3 had violated the following provisions:*



- (i.) For failure to include a disclosure in offer document that TISPL is under liquidation - Regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations;*
 - (ii.) For failure to include a disclosure in offer document of an appropriate risk factor in respect of the past default by TIPL - Regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations;*
 - (iii.) For failure to disclose TEPL as a part of promoter group in the offer document and also the fact that TEPL was under liquidation - Regulations 2(1)(pp)(iv) and 245(1) read with para 5 of Part A of Schedule VI of the ICDR Regulations.*
5. The SCN was duly served upon Noticees in consonance with the Rules. Vide letter dated August 14, 2026, authorized representative (AR) of Noticees, M/s. Regstreet Law Advisors requested inspection of documents which was granted on August 27, 2026. Thereafter, vide letters dated September 07, 2026, AR submitted the replies. Subsequently, an opportunity of hearing was granted to Noticees on September 22, 2026 which was attended by Mr. Sumit Agrawal assisted by Mr. Kavish Garach, Ms. Roshni Anand and Ms. Saumya Singh Thakur (i/b. Regstreet Law Advisors). During the hearing, ARs reiterated the submissions made vide letters dated September 07, 2026. Pursuant thereto, ARs filed additional submissions vide letter dated September 24, 2026. The relevant extracts of submissions made vide letters dated September 07, 2026 and September 24, 2026 are as under:

Relevant extracts of submissions made vide letters dated September 07, 2026

- (a.) The allegations proceeded on a technical and retrospective view of materiality and disclosure that overlooked the factual matrix, the clarifications already furnished, the absence of any investor harm and the principle of proportionality. They emphasized that the SCN and the examination report themselves recorded that: (a) TISPL had been correctly classified as a non-promoter group entity; (b) there was no continuing default by TIPL, the loan having been settled in FY 2020; and (c) no action was warranted in respect of the independent director. The remaining allegations, according to Noticees 1 to 3, were at the highest technical, did not affect Noticee 1's eligibility to make the Issue, did not mislead any investor, and did not warrant penalty under section 15HB of the SEBI Act;*
- (b.) The very initiation and continuation of the present adjudication proceedings warranted reconsideration because the complaint which formed the genesis of SEBI's examination had subsequently been withdrawn in its entirety by the*



complainant himself. They also stated that no actual investor grievance arising from the alleged non-disclosures had been identified in the SCN or the examination report

Factual background as submitted by Noticees

- (c.) Noticees 1 to 3 submitted that Noticee 1 was incorporated on June 28, 2010, originally as Rashi Resources Private Limited and was engaged in the manufacture of crushing, screening and washing plant equipment and since FY 2025, in food-processing plant equipment. Noticees 2 and 3 were stated to be directors and promoters of Noticee 1;
- (d.) Noticee 1 had filed its draft red herring prospectus on February 28, 2025 for an SME IPO on the NSE Emerge platform. During the issue process, spanning eight rounds of queries from NSE, the offer document and underlying disclosures were subjected to repeated scrutiny by NSE. Declarations, shareholding patterns, MCA records, CA certificates and other documents concerning the issuer and its promoters/promoter group had been furnished and considered, including in response to specific queries concerning regulatory actions and defaults involving Mr. Sumit Bajla and TIPL. NSE thereafter granted in-principle approval to the IPO on August 14, 2025;
- (e.) The issue opened on September 9, 2025, closed on September 11, 2025 and the shares were listed on September 16, 2025. Between September 6 and September 8, 2025, the complainant raised concerns with Noticee 1, the BRLM and thereafter with NSE, SEBI and other authorities concerning the alleged non-disclosure of matters relating to TISPL, TIPL and TEPL;
- (f.) SEBI sought comments from NSE who examined the clarifications furnished by Noticee 4 and submitted its comments by e-mail dated December 29, 2025 and thereafter SEBI prepared its examination report. According to the Noticees, the examination report itself recorded, inter alia, that TISPL was correctly classified as a non-promoter group entity on the basis of a CA-certified declaration from Ms. Puja Sumit Bajla, that TIPL's Axis Bank facility stood fully settled on October 13, 2020 and there were no continuing defaults by the issuer, its promoters or directors as on the date of the DRHP and that the disclosures relating to independent director was found to be in order. They submitted that it was only on the basis of this examination report that the present SCN came to be issued;
- (g.) The Noticees also submitted that detailed replies and clarifications concerning the issuer and the matters now alleged had already been furnished to NSE at multiple stages between September and December 2025. They added that, though not determinative, it remained relevant that the complainant had withdrawn his complaint in its entirety by e-mail dated September 17, 2025, stating that he was "now convinced with the Company's response" and that there was no need to pursue the matter further. They also submitted that neither the SCN nor the examination report stated that the complainant himself was an allottee or investor in the issue or that any actual investor had raised a grievance in respect of the matters alleged.



Preliminary objections

Natural justice and access to relied-upon material

- (h.) Noticees 1 to 3 submitted that, by joint letter dated August 14, 2026, they had sought inspection of documents referred to, relied upon, or relevant to the SCN, on the ground that the SCN had not annexed such material, contrary to the principles of natural justice. Inspection was conducted on August 27, 2026, however, according to them, only three categories of documents were furnished, namely, the AO appointment/transfer communiqués, the examination report with annexures and the enclosures to NSE's December 9, 2025 e-mail;
- (i.) They submitted that the opinion of the Competent Authority, complete NSE–SEBI and SEBI–Complainant correspondence, internal file notings, any recorded statements, CMS case history and any other adverse material remained wholly outstanding. They therefore reiterated their request and reserved their right to supplement the reply upon receipt of that material;
- (j.) The Noticees submitted that it was crucial for them to have access to the documents relied upon by SEBI in the SCN so as to defend themselves against the allegations. They furnished a list of documents sought but not provided, including the opinion formed by the Competent Authority for initiation of adjudication proceedings, the approval for issuance of the SCN, appointment orders of earlier adjudicating officers, all annexures/attachments to the complainant-related communications, all correspondence between NSE and SEBI and between NSE and Noticee 1 / Noticee 4 from the time of filing of the DRHP till approval of listing, internal approvals/file notings, communications with banks, communications with the complainant any statements recorded by SEBI, CMS screenshots and any adverse material available on record;
- (k.) They submitted that SEBI's rejection of the request for file notings/opinion formed by the competent authority was contrary to the principles of natural justice. In support, they relied upon the judgment of the Hon'ble Gauhati High Court in *Sunita Agarwal v. SEBI*. They further relied upon the judgment of the Hon'ble Supreme Court in *T. Takano v. SEBI*. They also relied on *Reliance Industries Limited v. SEBI*. They additionally relied on *Ashok Dayabhai Shah v. SEBI*, *Mukesh D. Ambani v. SEBI* and *National Stock Exchange of India Ltd. v. SEBI*.

Non-application of mind in the approval of action matrix

- (l.) The Noticees submitted that the material forming part of the examination report itself demonstrated non-application of mind in the proposal and approval for initiation of adjudication proceedings. They pointed out that the narrative portion of the examination report recorded that TIPL's Axis bank default had been settled in FY 2020 and took objection only to the absence of a risk factor concerning that historical default. However, the proposed action matrix, which the examination report stated had been "placed below for approval", recorded a materially different allegation, namely that Noticee 1 and Noticee 4 had failed to disclose that "TIPL (part of promoter group) is under liquidation." According to the Noticees, that was not the allegation in the SCN;



(m.) They submitted that this discrepancy could not be dismissed lightly since the Action Matrix identified, for purposes of seeking approval, the entity concerned, the nature of the alleged violation, the statutory provision and the action recommended. If initiation was approved on the basis of the action matrix, then the material placed for approval described a different factual contravention from the one ultimately alleged in the SCN. They emphasized that this point assumed greater significance because they had sought the underlying approval/opinion of the competent authority during inspection but the same had not been furnished;

Hindsight bias and effect of NSE's due diligence / in-principle approval

- (n.) Noticees submitted that Noticee 1's SME IPO was subject to primary due diligence and clearance by NSE as the designated stock exchange, not by SEBI directly. NSE had reviewed the DRHP over eight rounds of queries, including one specifically on regulatory actions and defaults concerning Mr. Sumit Bajla and TIPL, before granting in-principle approval on August 14, 2025. They submitted that a regulator which had taken an informed decision on a given set of facts ought not, absent any change in those facts, revisit that decision with the benefit of hindsight to the detriment of the regulated entity;
- (o.) In this connection, they relied upon DLF Limited v. SEBI, submitting that SAT had quashed a SEBI order restraining DLF and its promoters from the securities market for alleged IPO disclosure violations, holding that once the regulatory process had taken an informed, considered view permitting an IPO to proceed, that view could not be revisited years later on the same facts, particularly in the absence of investor loss;
- (p.) The Noticees submitted that nothing about TISPL's, TIPL's or TEPL's shareholding history had changed between the DRHP and the SCN and that every fact relied upon was ascertainable from public MCA filings well before the DRHP and had been substantially placed before NSE months before the complainant's e-mail. They further submitted that the offer document had passed through the exchange's review process at more than one stage and therefore the disclosure position adopted in the offer document had not proceeded without regulatory scrutiny;
- (q.) They also relied upon the adjudication order dated September 25, 2025 in Sigma Solve Limited, where, according to them, the AO held that a subsequent event/decision by the company could not lead to an adverse inference or to a conclusion that the prospectus was misleading. The Noticees submitted that the principle was directly relevant: the enquiry under regulation 245(1) could not be whether, with the benefit of a subsequent complaint, further examination and hindsight, some additional information could have been included in the offer document. Rather, the enquiry was whether, on the facts and circumstances existing at the relevant time, the information alleged to have been omitted constituted a material disclosure necessary to enable an applicant to take an informed investment decision;



Reasonableness of lookback period relied upon by SEBI

- (r.) Noticees submitted that the ICDR Regulations used expressly defined lookback periods when a disclosure was required and in the absence of such prescription, regulation 245 could not be stretched into an unlimited historical disclosure obligation. They submitted that the temporal reach of the facts relied upon was itself unreasonable: the case spanned Mr. Sumit Bajla's TIPL directorship from 2007, Axis Bank facilities sanctioned between 2010 and 2016 and settled since October 2020, TISPL's shareholding between 2010 and its dilution to nil by 2016, and Ms. Puja Bajla's TEPL shareholding first crossing 20% in FY 2014-15;
- (s.) They argued that no provision of the ICDR Regulations prescribed an unlimited lookback period for promoter-group classification and relied upon *State of Gujarat v. Patel Raghav Natha*, *Shriram Insight Share Brokers Ltd. v. SEBI*, *Adjudicating Officer, SEBI v. Bhavesh Pabari* and *SEBI v. Sunil Krishna Khaitan & Ors.* to submit that statutory powers without prescribed limitation must still be exercised within a reasonable time and that stale matters ought not to be pursued unnecessarily;

Standard of due diligence applicable to Noticee 4

- (t.) Noticee 4 further submitted that the allegations against it had to be assessed against the settled standard of reasonable and professional due diligence applicable to a merchant banker, and not on any standard of strict or absolute liability. It submitted that its diligence had been undertaken on the basis of the material reasonably available during the offer process, including statutory filings, MCA records, shareholding records, declarations furnished by the concerned persons and banking documentation. According to Noticee 4, a merchant banker could not be faulted merely because, with the benefit of hindsight, an additional disclosure might later be considered desirable as a matter of abundant caution, particularly where the applicable regulatory framework did not specifically mandate such disclosure and the material then available did not indicate that the information had a material bearing on the business, financial position, operations or prospects of the issuer. It was submitted that the due diligence obligation could not be retrospectively enlarged so as to require disclosure of every historical fact or circumstance having some remote association with the issuer, its promoters or other entities. Noticee 4 contended that in the absence of any specific challenge to the due diligence certificate, or any finding that it had ignored material information, failed to verify documents made available to it, or knowingly certified an incorrect disclosure position, a subsequent view that additional information ought to have been included in the offer document could not by itself establish a breach of regulation 245(3);
- (u.) In support of the above, Noticee 4 relied upon the adjudication order dated September 25, 2025 in the matter of Sigma Solve Limited, wherein, according to it, the allegation of violation of regulation 245(3) against the merchant banker was independently examined and rejected after considering the disclosures made, the explanation furnished and the material available at the relevant time. Noticee 4



submitted that the said order demonstrated that regulation 245(3) did not contemplate a mechanical finding of violation merely because, upon subsequent examination, SEBI considered that some further document, enquiry or disclosure could conceivably have been obtained or made. Rather, the enquiry remained whether, having regard to the information reasonably available at the relevant time, the disclosures actually made and the diligence actually undertaken, the merchant banker had discharged the standard of reasonable professional diligence;

- (v.) Noticee 4 submitted that the present case stood on an even stronger factual footing, inasmuch as the IPO process had involved eight rounds of NSE queries. Noticee 4 had examined statutory filings, MGT-7 records, MCA records, shareholding information, CA-certified declarations and banking documentation, had furnished repeated clarifications and had even revisited and corrected its position when additional documentary material, including the Axis Bank sanction letter, was subsequently placed before it. According to Noticee 4, the present allegations therefore did not evidence an absence of due diligence but, at the highest, reflected a subsequent difference in regulatory assessment as to whether certain additional historical information ought also to have been disclosed. It was further submitted that each alleged contravention had to stand on its own statutory ingredients and evidentiary foundation and that the existence of some other alleged regulatory deficiency could not substitute for proof of a failure to exercise due diligence under regulation 245(3);*

Submissions on merits

TISPL

- (w.) Noticees submitted that the allegation concerning TISPL proceeded on the footing that, although TISPL had been correctly classified as a non-promoter group entity, its liquidation had not been disclosed, allegedly contrary to regulation 245(1) read with Schedule VI. They submitted that TISPL's classification as a non-promoter group entity stood accepted as correct by NSE in the examination report itself. TISPL had ceased to be a shareholder of Noticee 1 years ago, its holding having been diluted to nil by FY 2015-16, it had been under liquidation since March 8, 2016, with its affairs under the complete control of the liquidator and Ms. Puja Sumit Bajla had furnished a CA-certified declaration stating that she held no active investment in TISPL and that the relevant investment had been fully written off;*
- (x.) The Noticees submitted that, in these circumstances, the materiality of a further disclosure that a non-promoter group entity was under liquidation was attenuated. A disclosure neither material to Noticee 1's business, financials or promoter group, nor capable of affecting an investor's decision, could not found a violation of regulation 245(1). They however also noted that TISPL's IDBI guarantee-release letter dated March 1, 2024 recorded that the settlement did not affect ongoing/future legal/recovery proceedings against TISPL and the mortgaged property, nor criminal proceedings already initiated or likely to be initiated against Mr. Sumit Bajla, TISPL and its promoters/directors;*



- (y.) They further submitted that there was no specific requirement under the ICDR Regulations to disclose the liquidation of TISPL. Since TISPL had been under liquidation since March 8, 2016, its affairs and management had ceased to remain under the ordinary control of its erstwhile directors or shareholders and stood vested in and subject to the control of, the liquidator. Any confirmation, consent or authorisation in relation to information proposed to be attributed to, or stated concerning, TISPL could therefore not have been obtained in the ordinary course from its erstwhile management. The Noticees submitted more fundamentally that the ICDR Regulations did not identify any specific provision mandating disclosure, merely by reason of liquidation, of an entity which was neither a promoter, promoter-group entity nor group company of the issuer. They argued that the regulatory framework contained detailed and specific disclosure requirements concerning promoters, promoter group, group companies, directors, litigations, defaults and related matters and where the legislature had deliberately identified the categories of persons and entities in respect of which disclosures were required, an additional disclosure obligation could not be created by interpretation in respect of an entity falling outside those specified categories unless the general materiality threshold under regulation 245(1) was independently satisfied;
- (z.) They submitted that the interpretation suggested in the SCN would effectively require an issuer and merchant banker to disclose the liquidation, defaults, proceedings and historical affairs of any entity having some past association with a promoter or promoter-group member, irrespective of whether such entity fell within any prescribed disclosure category and irrespective of materiality to an investment decision. Such interpretation, according to them, would impermissibly enlarge the statutory disclosure obligation beyond the language of the Regulations;
- (aa.) In this regard, they relied upon *Shiv Shakti Coop. Housing Society v. Swaraj Developers & Ors.* and *M/s. Hiralal Ratanlal v. STO*, submitting that what a statute did not provide could not be read into it. Applying those principles, they submitted that no disclosure requirement concerning TISPL could be inferred merely because TISPL was historically connected with Noticee 1 or with members of the promoter family. Once TISPL was correctly treated as a non-promoter group entity and there was no specific statutory provision requiring disclosure of its liquidation, SEBI would have to independently demonstrate that such liquidation was nevertheless material within the meaning of regulation 245(1). According to them, the SCN contained no such analysis. Hence, the allegation relating to TISPL was liable to be dropped;
- (ab.) Noticee 4 further submitted that it had exercised reasonable diligence by examining TISPL's historical shareholding, verifying MCA records and liquidation status, obtaining a CA-certified declaration from Ms. Puja Sumit Bajla and correctly classifying TISPL as a non-promoter group entity. It contended that once TISPL had correctly been treated as a non-promoter group entity and there was no specific statutory provision requiring disclosure of its liquidation, the omission of such disclosure could not, without more, be treated as failure of due diligence



under regulation 245(3). At the highest, according to Noticee 4, any such omission would amount to a technical lapse without investor harm or market impact;

TIPL

- (ac.) Noticees submitted that the SCN alleged that although TIPL, a promoter-group entity, had defaulted on an Axis bank loan which was settled in FY 2020, an appropriate risk factor for that past default had not been disclosed, allegedly violating Regulation 245(1) read with Part A of Schedule VI. They submitted that the examination report and NSE themselves recorded that the default had been settled in FY 2020 and “cannot be considered as a continuing default.” Regulation 228(c), which governed SME eligibility, was attracted only where a default “is still continuing”; since there was no continuing default, Noticee 1’s eligibility had never been in doubt;*
- (ad.) The Noticees further submitted that Mr. Sumit Bajla was one of the personal guarantors for this facility, as recorded in Axis bank’s sanction letter dated October 6, 2015, a position which Noticee 4 had later confirmed to NSE after being shown that sanction letter, correcting an earlier, less complete reply. They added that he had served as a TIPL director during two periods but had at no relevant time been a director, promoter or shareholder of Noticee 1;*
- (ae.) They submitted that risk factors under Schedule VI were determined on materiality. A settled past default of a promoter-group entity, and not of the issuer, occurring years before the offer document, fully resolved and never appearing on Noticee 1’s own books, did not meet the threshold requiring a specific risk factor. The suggestion in the examination report that such a risk factor ought to have been included “as abundant precaution” was, according to them, an impermissible elevation of a discretionary best practice into a mandatory obligation. In this regard, they relied on Almondz Global Securities Ltd. v. SEBI, submitting that a merchant banker could not be expected to act like an investigating agency and start with a note of suspicion as regards the bona fides of the company. They emphasized that no investor had been misled and no complaint had arisen from this historical, settled event;*
- (af.) The Noticees further submitted that the allegation misconceived what a “risk factor” was. According to them, a risk, on its ordinary meaning and on the structure of Schedule VI itself, denoted a prospective, contingent exposure, something that may occur and may adversely affect the issuer and not an event that had already occurred, run its course and been finally and conclusively resolved. Once a default was settled, the facility discharged, the charge satisfied and recorded with the Registrar of Companies and with no continuing recovery or insolvency proceeding, it ceased to be a matter of contingency and became a closed historical fact. There was, according to them, no longer any “risk” of that default recurring or crystallising into loss for Noticee 1. They however clarified that it was not their case that a historical or settled default could in no circumstances warrant disclosure as a risk factor. Their submission was narrower and fact-specific. In the present case, the facility had been availed by TIPL, a promoter-group entity and not by Noticee 1. It*



had never formed part of Noticee 1's borrowings or financial indebtedness. It had been fully settled more than four years prior to the DRHP. The corresponding charges had been satisfied and there was no continuing default, recovery exposure or liability attaching to Noticee 1. In those circumstances, the SCN and examination report did not identify any plausible manner in which this closed historical event could have a material future impact upon Noticee 1 or an applicant's investment decision;

(ag.) They also submitted that neither the SCN nor the examination report identified any specific provision of Part A of Schedule VI which mandated, as a standalone disclosure requirement, inclusion of every historical default of every promoter-group entity as a risk factor irrespective of whether such default continued or had any present or prospective nexus with the issuer. The allegation therefore necessarily rested upon the general materiality standard under regulation 245(1) read with para 5(C) of Part A of Schedule VI. Once that was so, the mere historical existence of the TIPL default could not itself establish the contravention. SEBI had to additionally demonstrate why that settled event was material to an applicant's investment decision as on the date of the offer document;

(ah.) The Noticees then relied upon para 5(G) of Part A of Schedule VI, reproducing in detail the various specifically mandated risk-factor disclosures. They submitted that the closest provisions dealing with indebtedness and defaults were para 5(G)(12), 5(G)(13) and 5(G)(14), which concerned defaults in compliance with material covenants in respect of outstanding debt instruments, unsecured loans taken by the issuer and its subsidiaries which may be recalled at any time and defaults in repayment of deposits or payment of interest thereon by the issuer and subsidiaries. Significantly, none of these provisions extended to a settled historical bank default of a promoter-group entity such as TIPL. TIPL was neither the issuer nor a subsidiary of Noticee 1, the Axis Bank facility was not indebtedness of Noticee 1 and, in any event, the default had admittedly been settled several years prior to the IPO. Accordingly, the facts relating to TIPL did not fall within any of the specifically mandated default-related risk disclosures under paras 5(G)(12), 5(G)(13) or 5(G)(14). Thus, unless SEBI independently established under regulation 245(1) read with para 5(C) that the settled TIPL default had a present or prospective material bearing on Noticee 1 or on an applicant's informed investment decision, no contravention could be made out. According to them, no such nexus or finding was identified in the SCN or the examination report;

(ai.) Noticee 4 further submitted that it had verified the status of the Axis Bank default and its settlement and that the examination report itself recorded that the default had been settled in FY 2020 and was not a continuing default. It contended that the statement in the examination report that an additional risk factor ought to have been included "as abundant precaution" showed that the allegation was founded not on breach of a clearly mandated disclosure requirement but on a later preference for fuller disclosure. Noticee 4 submitted that such a subsequent regulatory view could not by itself establish failure of due diligence under regulation 245(3), particularly where the matter concerned a historical, fully settled event of



a promoter-group entity and no present or prospective material nexus with the issuer had been demonstrated;

TEPL

- (aj.) Noticees submitted that the SCN alleged that TEPL ought to have been classified as a promoter-group entity under regulation 2(1)(pp)(iv) because Ms. Puja Sumit Bajla's shareholding in TEPL had risen from approximately 19.85% to approximately 80.28% between FY 2011-12 and FY 2021-22 and that TEPL's liquidation ought also to have been disclosed;*
- (ak.) It was submitted that TEPL had been under liquidation since July 11, 2022, with its operations under the complete control of the liquidator. TEPL's own historical shareholding in Noticee 1, comprising preference shares acquired on March 1, 2021 and converted to equity on March 27, 2021, had already been extinguished by October 20, 2023, well before the IPO. Ms. Puja Bajla had furnished a CA certified declaration stating that she held no active investment in TEPL, the investment having been fully written off. They also stressed that her shareholding first crossed the 20% threshold in FY 2014-15, roughly a decade before the DRHP, and not in the period immediately preceding the IPO;*
- (al.) The Noticees submitted that while regulation 2(1)(pp)(iv) referred to shareholding thresholds, the underlying purpose of promoter-group classification was to capture entities connected with the promoters in the manner contemplated by the provision. TEPL, however, had been under liquidation since July 11, 2022, its affairs were under the control of the liquidator, its historical shareholding in Noticee 1 had already been reduced to nil well before the IPO and Ms. Puja Bajla had furnished a CA certified declaration that she held no active investment in TEPL and that the investment had been fully written off. The classification adopted in the offer document was therefore, according to them, a bona fide position based on contemporaneous records and circumstances and not an act of concealment;*
- (am.) The Noticees further submitted that, even if for the sake of argument TEPL technically fell within the definition, the dual omission, classification and liquidation disclosure, remained technical. The materiality of disclosing a liquidated entity with no ongoing business, no shareholding in the issuer and written-off investments was, according to them, low and investors were not deprived of information material to an informed investment decision. They also acknowledged that the examination report had taken the contrary view that liquidation "does not take away" Ms. Bajla's shareholding for the purpose of promoter-group classification, however, without prejudice to their position that the test should be read purposively, they relied in the alternative on absence of prejudice, good-faith reliance on the CA declaration and proportionality;*
- (an.) Noticee 4 further submitted that it had acted on MCA records, liquidation status and CA-certified declarations and had bona fide treated TEPL as outside the active promoter group. It further submitted that a company under liquidation, whose affairs were under the control of a liquidator, whose historical shareholding in the issuer had already been reduced to nil and in which the promoter's investment had*



been written off, stood on a different footing for the purposes of promoter-group disclosure. According to Noticee 4, even if TEPL were later viewed as technically falling within the definition, the issue remained one of interpretation on a genuinely contestable question and did not establish lack of due diligence on its part;

Alleged incorrect declaration by Noticees 2 and 3

(ao.) Noticees submitted that the SCN relied on the standard declaration signed by Noticees 2 and 3 that all relevant provisions had been complied with. According to them, such declarations were routine in offer documents. A subsequent interpretive disagreement on the classification of a liquidated entity or on the necessity of a risk factor for a settled past default, could not retrospectively convert a bona fide declaration into a false one. They submitted that the directors and the merchant banker had acted on the material then available and the understanding of the regulations then prevailing and that there was no finding of deliberate misstatement nor was any such finding warranted on the record;

SEBI's limited role in SME offer documents

(ap.) Noticees submitted, in the further alternative, that the present proceedings had to be assessed having regard to the statutory architecture applicable to SME issues and the distinct role assigned to NSE as the designated stock exchange in front-end scrutiny of the offer document. They relied upon regulation 246 of the ICDR Regulations, which provided that the issuer shall file a copy of the offer document with SEBI through the lead manager immediately upon filing with the Registrar of Companies and that SEBI shall not issue any observation on the offer document. They submitted that regulation 246(2) was unqualified in its terms and reflected a deliberate structural choice for SME issues, in contrast to the mainboard route where SEBI itself reviewed the draft offer document and issued observations before registration. Having expressly declined, by regulation, to observe upon or clear Noticee 1's offer document at the filing stage, SEBI subsequently adjudicating upon the adequacy of disclosures in that very document sat uneasily, according to them, with the statutory architecture applicable to SME issues;

The standard of due diligence is reasonableness, not perfection

(aq.) Noticee 4 submitted that the standard of due diligence applicable to a merchant banker was one of reasonableness and not perfection, and that a merchant banker could not be expected to act like an investigating agency or commence its due diligence exercise with a presumption of fraud or mischief. In support, Noticee 4 relied upon *Almondz Global Securities Ltd. v. SEBI*, wherein SAT held that due diligence meant reasonable diligence expected from a merchant banker. Noticee 4 also relied upon the adjudication order in *Aryaman Financial Services Limited*, submitting that, on analogous facts, due diligence under Regulation 245(3) had been held to be satisfied where the merchant banker had obtained a CA certificate confirming the relevant factual position and the offer document had disclosed the



exclusion and the reasons therefor. Applying the said standard to the present case, Noticee 4 submitted that it had sought and obtained CA-certified declarations in relation to TISPL, TIPL and TEPL; reviewed MGT-7 filings, MCA master data and bank correspondence for each entity; responded to every query at each stage of the IPO process; engaged substantively and repeatedly with the investor complaint, including by correcting its position on the TIPL guarantee upon being shown further material; and furnished a detailed, entity-wise classification analysis to NSE on December 8, 2025. According to Noticee 4, if its classification was now said to have been incomplete, the same reflected at the highest a difference of interpretive view on a genuinely contestable issue and not any absence of diligence, and its willingness to revisit and correct its position was itself evidence of diligence;

Absence of mala fide intent, investor harm or market impact

(ar.) Noticees submitted that there was no allegation, much less evidence, of mala fide intent, concealment affecting price or investment decisions or unfair gain by any Noticee. No investor complaint arising from the alleged non-disclosures was on record neither the SCORES portal nor the examination report indicated any investor grievance attributable to TISPL, TIPL or TEPL. Noticee 1's eligibility under regulation 228 was never in doubt and the core financials, business and risk factors material to Noticee 1 had been disclosed. The alleged omissions, according to them, concerned historical, settled or liquidated entities and were, at the highest, technical. They submitted that SEBI's own enforcement practice generally distinguished technical lapses, promptly explained and unaccompanied by investor harm, from substantive violations;

Penalty submissions/proportionality

(as.) Noticees submitted that even assuming any deficiency in disclosure, the same would at the highest constitute a technical and inadvertent omission concerning historical matters, which neither affected Noticee 1's eligibility to undertake the IPO nor resulted in investor loss, market impact, disproportionate gain or unfair advantage. They then referred to certain SEBI orders, including Accretion Pharmaceuticals Limited, Sigma Solve Limited, Aryaman Financial Services Limited and GCM Securities Ltd. to submit that in comparable matters SEBI had adopted a measured and proportionate approach and imposed only minimum penalties. They submitted that SEBI, as regulator, must adopt a consistent and predictable approach and relied on SEBI v. Sunil Krishna Khaitan. They also relied on SEBI v. R.T. Agro (P.) Ltd., submitting that SEBI was not justified in penalizing a company by taking a hyper-technical view of the law;

Composite penalty under section 15HB

(at.) Noticees submitted that section 15HB was intended to be a composite penalty provision. Even assuming, without admitting, that any infraction had occurred, all the alleged historical violations arose from the same examination by SEBI. It was



submitted that section 15HB did not mandate that each section or sub-section, regulation or circular be individually penalized within the minimum prescribed penalty and that any other interpretation would render the provision otiose. Therefore, at most, only one composite penalty could be imposed and not four separate penalties. In support, the Noticees referred to instances where SEBI had imposed a bare composite or consolidated minimum penalty for multiple violations, including orders in Integrated Enterprises India Limited, Bullion Fox Commodity Private Limited, Maheshwari Datamatics Private Limited and Aryaman Financial Services Limited;

Other legal and factual arguments

(au.) Noticees further submitted that there was an absence of settled interpretive guidance, as evidenced by the fact that NSE itself had required several rounds of correspondence over more than two months and independent verification against a third-party sanction letter, before arriving at its own classification view on TISPL, TIPL and TEPL. According to them, this itself evidenced that the present matter involved genuinely difficult interpretive questions and not concealment. They also submitted that the underlying facts were independently available in the public domain, as the shareholding movements were reflected in each entity's own MCA filings and could have been accessed by any investor exercising ordinary diligence. They clarified that this was at least a mitigating factor, even if not a complete defence. They further submitted that there was no allegation of repetitive conduct by Noticees in relation to the present matter;

Prejudice to the Noticees and need for proportionate approach

(av.) Noticees submitted that any adverse finding or penalty, even if monetary and modest, carried serious reputational consequences for a listed issuer and for its promoters and directors. Where the alleged lapses concerned historical matters, were technical and explained and had caused no investor loss or market impact, the principle of proportionality required those circumstances to be given full weight. In such a case, according to them, the ends of regulatory action were not advanced by imposing a monetary penalty. They relied on section 15J and submitted that no disproportionate gain, no investor loss and no repetitive conduct attributable to Noticees had been shown. They further submitted that the power to impose penalty included the power to impose no penalty and that not every breach or error was culpable merely because it was possible to construe it as a contravention. Where the Noticees had demonstrated bona fides and the authority was unable to demonstrate mala fides, discretion ought to be exercised to provide benefit of doubt;

(aw.) In this context, they submitted that the judgment in SEBI v. Shriram Mutual Fund was often blindly applied by adjudicating officers for imposition of monetary penalty by selectively relying on observations that penalty was attracted as soon as contravention was established. However, according to the Noticees, the said judgment only held that mens rea was not an essential requirement of all



contraventions and not that each contravention, however trivial or innocent, had to be penalized. They relied on *Bharjatiya Steel Industries v. Commissioner, Sales Tax, Uttar Pradesh* to submit that the authority always had discretion as to whether to levy penalty and for the exercise of such discretion existence of mens rea became a relevant factor. They further relied on *SEBI v. Bhavesh Pabari*, submitting that AOs had sufficient discretion to impose penalties or exonerate entities by applying factors beyond section 15J(a), (b) and (c). They also relied on *P.G. Electroplast and others v. SEBI*, where SAT held that even if minimum penalty was prescribed, the authority would be justified in refusing to impose penalty when there was only a technical or venial breach. Reliance was additionally placed on *Piramal Enterprises Limited v. SEBI*, where SAT observed that imposition of even a meagre penalty would leave an indelible mark and blot on the image of the entity, and that SEBI was a watchdog and not a bulldog and ought, in the first instance, to adopt remedial rather than punitive measures.

Relevant extracts of submissions made vide letter dated September 24, 2026

- (a.) The Noticees submitted that none of the three allegations met the test of “risk” and “materiality” under regulation 245 read with Part A of Schedule VI of the ICDR Regulations. They contended that all three allegations mentioned in paragraph 3 of the SCN were impermissibly vague and were silent as to: (i) what was the materiality of each of the alleged breaches; (ii) what, if any, was the “risk” said to require disclosure, particularly where Part A of Schedule VI nowhere treated a non-consequential, non-continuing, past and settled matter concerning a non-promoter group entity as a “risk factor”; and (iii) on what basis, and by what process of reasoning, the ingredients of regulation 245 read with Part A of Schedule VI were attracted on the facts alleged. According to the Noticees, the examination report, on which the SCN was founded, contained no finding on materiality whatsoever, and the SCN itself neither identified nor examined nor alleged how any of the alleged breaches were material. It was therefore submitted that the statutory threshold under regulation 245 read with Part A of Schedule VI had nowhere been identified and that the Noticees could not be expected to guess at a case that had not been made out against them. On this ground alone, the Noticees submitted that the SCN was liable to be disposed of without any adverse inference or remark;
- (b.) The Noticees further submitted that what the competent authority had approved could not be changed in the SCN. In this regard, they contended that the examination report annexed to the SCN itself recorded, under the head “placed below for approval” of the competent authority, an allegation materially different from the one ultimately set out in the SCN. According to the Noticees, the SCN offered no explanation whatsoever as to why the allegation approved under the action matrix, for appointment of the Adjudicating Officer and initiation of adjudication proceedings under section 15-I of the SEBI Act, came to be altered, or on what material such alteration was made. The Noticees submitted that this divergence was, by itself, an independent and sufficient ground on which the entire SCN was liable to be disposed of or withdrawn and that the Adjudicating Officer



did not have the discretion to pick and choose, or to explain away, the illegality arising from the divergence between what was approved and what was now alleged;

- (c.) In relation to TISPL, the Noticees submitted that the allegation under paragraphs 3(a) and 3(e)(i) of the SCN had first to satisfy the requirement of materiality and, insofar as it was sought to be treated as a risk-factor omission, it had also to disclose the existence of an identifiable risk capable of having a present or prospective material impact on the investors of the issuer company. They submitted that it was SEBI's as well as NSE's own case that TISPL was admittedly and correctly classified as a non-promoter group entity. Therefore, according to the Noticees, there could be no question of disclosing any information in relation to the liquidation of TISPL, as the same would be irrelevant and non-material for the purposes of regulation 245 or Schedule VI;*
- (d.) The Noticees reiterated that there was no specific provision mandating disclosure merely because such an entity was under liquidation and that the SCN identified neither any subsisting or prospective risk arising from TISPL's liquidation nor any manner in which such liquidation was material to the business, financial position or investment decision concerning Noticee 1. They further submitted that, in any event, the information was already in the public domain, since the order dated July 13, 2018 passed by the Hon'ble High Court in Company Petition No. 314 of 2016 directing liquidation and winding up of TISPL was publicly available on the internet/website of the Hon'ble High Court. Accordingly, in view of the public availability of the information, the absence of any identifiable risk, the absence of demonstrated materiality and the absence of any specific provision, the Noticees submitted that the allegation relating to TISPL was liable to be rejected;*
- (e.) In relation to TIPL, the Noticees submitted that the allegation under paragraphs 3(b) and 3(e)(ii) of the SCN ought to be dropped on the face of it. They first reiterated that the allegation which had been approved and the allegation ultimately set out in the SCN were completely different. They further submitted that the examination report itself admitted that there were no continuing defaults in repayment of loans by the issuer or its promoters or directors and only stated that the merchant banker had failed to disclose an appropriate risk factor "as abundant precaution" in respect of the past default by TIPL;*
- (f.) The Noticees contended that a penalty proceeding could not be founded on an "abundant caution" basis. According to them, the existence, content and scope of a disclosure obligation had to be traceable to the applicable statutory or regulatory framework and SEBI and NSE could not, ex post facto, convert what was at best a prudent or abundant-caution disclosure into a mandatory one and then penalize its omission. They further submitted that the very characterization of the disclosure as one of "abundant precaution" was itself an admission that no provision mandated it, since a precaution, by definition, was not an obligation;*
- (g.) The Noticees also enclosed a copy of the No Due Certificate dated October 13, 2020 issued by Axis Bank in relation to the one-time settlement, which specifically stated that there were no dues outstanding under the term loan facility. They*



submitted that the same certificate had always been available publicly along with Form CHG-4 on the MCA portal, if NSE had any concerns with respect to the undertaking given by the Noticees to NSE. On that basis, they submitted that the allegation concerning TIPL was liable to be dropped;

- (h.) In relation to TEPL, the Noticees submitted that the allegation under paragraphs 3(c), 3(d) and 3(e)(iii) of the SCN also ought to be dropped on the face of it. They submitted that TEPL had been under liquidation since July 11, 2022, its affairs were under the complete control of the liquidator and its own shareholding in Noticee 1 had already been reduced to nil well before the IPO. They further submitted that Ms. Puja Sumit Bajla had furnished a CA-certified declaration confirming that she held no active investment in TEPL, the investment having been fully written off, which was precisely why TEPL did not feature among the entities shown as holding an active investment in the independent Chartered Accountant's certificate;
- (i.) The Noticees also submitted that they had in fact duly communicated to NSE's listing department, by response dated September 9, 2025, i.e., prior to the date of listing, that TEPL had acquired 3.23 lakh shares of Taurian MPS on March 29, 2021, that in FY 2021-22 a portion of those shares was transferred and that in October 2023, prior to the IPO, the balance shares were transferred to four individuals, resulting in TEPL's shareholding being reduced to nil. They further submitted that they had clearly informed NSE that TEPL had no continuing commercial relationship or association with the company or its promoters and that, in order to ensure strong governance practices with focus on transparency, compliance and accountability, the company had transferred the shareholding well before the IPO so as to ensure there was no direct or indirect exposure or impact on operations, financial position or management. Accordingly, the Noticees submitted that, since this fact was available to NSE prior to the examination report and prior to listing, it was impermissible for NSE, having raised no objection at the relevant time, to now take a contrary view with the benefit of hindsight;
- (j.) The Noticees additionally submitted that NSE had relied on the same CA certificate dated September 7, 2024 to hold that TISPL was correctly classified as a non-promoter group entity, yet refused to place reliance on that very certificate in relation to TEPL. According to the Noticees, an authority could not pick and choose which part of the same certificate to accept and which to reject merely to suit the allegation it wished to sustain. They also submitted that, as was shown during the hearing, adjudicating officers had in materially similar circumstances taken a similar view. In this regard, they relied upon the adjudication order in Aryaman Financial Services Limited, where SEBI, while exonerating the merchant banker, had relied upon the fact that the merchant banker had exercised due diligence by obtaining a CA certificate confirming that the promoters' disassociated relatives had no transactions with the issuer;
- (k.) The Noticees further submitted that no penalty was warranted where the alleged lapse was technical, bona fide and did not amount to a serious regulatory contravention. In this regard, they relied upon the adjudication order dated



September 30, 2025 in Finshore Management Services Ltd. According to the Noticees, the present case squarely fell within the aforesaid principle as well as various judgments already cited in the replies. They submitted that the allegations concerning TISPL, TIPL and TEPL arose from disclosure and classification issues involving historical facts and interpretation of regulations 245(1) and 245(3), rather than any allegation of fraud, deliberate concealment or suppression for gain. TISPL was admittedly treated as a non-promoter group entity, TIPL's default had been fully settled years before the DRHP and the position concerning TEPL had been taken on the basis of present records, including its liquidation status and the CA-certified declaration, with complete due diligence by the Merchant Banker;

- (I.) The Noticees further submitted that there was no allegation of investor loss, unlawful gain, market abuse or intentional suppression. Accordingly, even if any deficiency were ultimately inferred, the same was, at the highest, technical and bona fide in nature and did not warrant imposition of any monetary penalty whatsoever. They submitted that this was not a case even for a minimal or nominal penalty, because any penalty, regardless of quantum, would leave an indelible and undeserved blot on the reputation of the Noticees.*

CONSIDERATION OF ISSUES AND FINDINGS

6. After perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

- I. Whether Noticee 1, by failing to disclose liquidation status of TISPL in the offer document, violated the provisions of regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations by Noticee 1?
- II. Whether Noticee 1, by failing to disclose an appropriate risk factor in respect of the past default of TIPL in the offer document, violated regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations?
- III. Whether Noticee 1, by failing to disclose TEPL as part of the promoter group in the offer document and by failing to disclose its liquidation status, violated regulations 2(1)(pp)(iv) and 245(1) read with para 5 of Part A of Schedule VI of the ICDR Regulations?
- IV. Whether Noticees 2 and 3, by failing to ensure disclosure in the offer document regarding the liquidation status of TISPL, the appropriate risk factor in respect of the past default of TIPL and disclosure of TEPL as part of the promoter group along



- with its liquidation status, violated regulations 245(1) and 2(1)(pp)(iv), as applicable, read with Part A of Schedule VI of the ICDR Regulations?
- V. Whether Noticee 4, in its capacity as merchant banker to the issue, by allegedly failing to exercise due diligence in relation to the disclosures concerning TISPL, TIPL and TEPL in the offer document, violated regulations 245(1), 245(3) and 2(1)(pp)(iv), as applicable, read with para 5 of Part A of Schedule VI of the ICDR Regulations?
- VI. Does the violation, if any, on the part of Noticees attract monetary penalty under section 15HB of the SEBI Act?
- VII. If so, what would be the quantum of monetary penalty that can be imposed on Noticees after taking into consideration the factors stipulated in section 15J of the SEBI Act?
7. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticees. The same are reproduced as under:

*“2. (1) In these regulations, unless the context otherwise requires:
(pp) “promoter group” includes:*

.....

iv) in case the promoter is an individual:

A) any body corporate in which twenty per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of their relative is a member;

B) any body corporate in which a body corporate as provided in (A) above holds twenty per cent. or more, of the equity share capital; and

C) any Hindu Undivided Family or firm in which the aggregate share of the promoter and their relatives is equal to or more than twenty per cent. of the total capital;”

“Disclosures in the draft offer document and offer document

245. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

.....

(3) The lead manager(s) shall exercise due diligence and satisfy themselves about all aspects of the issue including the veracity and adequacy of disclosure in the draft offer document and the offer document.”



Part A of Schedule VI of the ICDR Regulations may be referred from the link provided below:

<https://www.sebi.gov.in/legal/regulations/mar-2026/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-march-21-2026-100581.html>

Preliminary Submissions

8. Before dealing with the matter on merits, I consider it appropriate to address the preliminary submissions raised by the Noticees. The issues of a general nature, which pertain to the SCN as a whole, are dealt with in this section, whereas the issues specific to a particular allegation are dealt with under the respective issues.

Issues raised by Noticees regarding non-supply of relied upon documents

9. The Noticees contended that the proceedings stood vitiated for non-supply of documents and violation of principles of natural justice. It was submitted that, though inspection was conducted on August 27, 2026, only limited documents were furnished, namely the AOs appointment communiqués, the examination report with annexures and the enclosures to NSE's email. According to the Noticees, several categories of documents sought by them had not been provided including the internal file notings, opinion formed by the competent authority for initiation of adjudication proceedings, approval for issuance of the SCN, complete NSE-SEBI and SEBI-complainant correspondence, communications with banks, recorded statements, CMS case history and any other adverse material. On this basis, the Noticees submitted that they were prejudiced in filing a complete and effective reply. In support of its contention, the Noticees have also placed reliance on the rulings of Hon'ble Supreme Court in the matter of T. Takano v. SEBI and Reliance Industries Limited v. Securities and Exchange Board of India & Ors, ruling of Hon'ble Bombay High Court in the matter of Ashok Dayabhai Shah and Ors v. SEBI and Ors, ruling of Hon'ble Gauhati High Court in Sunita Agarwal v. Securities and Exchange Board of India and the rulings of Hon'ble



SAT in the matter of Mukesh D. Ambani v. SEBI and National Stock Exchange of India Ltd. v. SEBI.

10. In this regard, from the material available on record, it is noted that the entire examination report with annexures, the AOs appointment communiqués and the relevant correspondences with NSE were furnished to the Noticees as annexures to the SCN and also made available during the inspection. The allegations in the SCN are founded on the examination report and the associated material, which were duly made available to Noticees. The Noticees have failed to demonstrate that the non-supplied categories of documents, such as internal approvals, internal file notings or other documents as sought by them, were themselves relevant or relied upon in the SCN as material forming the basis of the allegations. Non-supply of every document sought by a noticee does not by itself amount to violation of natural justice unless it is shown that such documents were relevant and relied upon for the purpose of sustaining the allegation or that non-supply thereof caused any prejudice in contending the allegations. In the present matter, no such specific prejudice has been demonstrated. On the contrary, the Noticees filed detailed replies, placed their own documents on record, advanced legal submissions at length and were also granted personal hearing. Therefore, I am satisfied that adequate opportunity was afforded to the Noticees to defend themselves and that no failure of natural justice has been established so as to vitiate the proceedings.

11. In this context, with regard to the internal file notings, the opinion formed by the Competent Authority for initiation of adjudication proceedings and the approval for issuance of the SCN sought by the Noticees, reference may also be drawn to the following rulings of the Hon'ble Supreme Court and the Hon'ble SAT:

(a.) In the matter of Kavi Arora v. SEBI¹, the Hon'ble Supreme Court held that:

"49. It is well settled that the documents which are not relied upon by the Authority need not be supplied as held in Natwar Singh (supra) where this Court held:-

¹ Special Leave Petition (Civil) No. 15149 of 2021 dated September 14, 2022



“48. On a fair reading of the statute and the Rules suggests that there is no duty of disclosure of all the documents in possession of the Adjudicating Authority before forming an opinion that an inquiry is required to be held into the alleged contraventions by a noticee. Even the principles of natural justice and concept of fairness do not require the statute and the Rules to be so read. Any other interpretation may result in defeat of the very object of the Act. Concept of fairness is not a one way street. The principles of natural justice are not intended to operate as roadblocks to obstruct statutory inquiries. Duty of adequate disclosure is only an additional procedural safeguard in order to ensure the attainment of the fairness and it has its own limitations. The extent of its applicability depends upon the statutory framework.”

(b.) In the matter of Madhyam Agrivet Industries Ltd. v. SEBI², the Hon’ble SAT held that:

“It is held herein that it is sufficient to disclose materials relied upon for issuance of show cause notice.”

12. In view of the aforesaid discussions, since all the relevant and relied upon documents in the present proceedings were provided to Noticees, the submission of Noticees in this regard is devoid of merit.

Issues raised by Noticees regarding vagueness of the SCN

13. The Noticees contended that the SCN was impermissibly vague. According to the Noticees, the examination report and the SCN did not specify the materiality of each alleged omission, the particular “risk” said to require disclosure or the basis on which regulation 245 read with Part A of Schedule VI of the ICDR Regulations was attracted. It was contended that the statutory threshold had nowhere been identified and that the Noticees could not be expected to guess at a case that had not been properly made out against them.

14. In this regard, it is pertinent to note that a SCN is sufficient if it apprises the Noticees of the factual allegations, the statutory provisions alleged to have been violated and the action proposed, so as to enable them to effectively respond. In the present matter, the SCN clearly identified the entities involved, namely TISPL, TIPL and TEPL and

² Appeal No. 258 of 2024 dated May 22, 2024



specifically set out the alleged lapses in relation to each of them. The SCN further identified the provisions alleged to have been violated, including regulations 2(1)(pp)(iv), 245(1) and 245(3) of the ICDR Regulations read with the relevant part of Schedule VI thereof and called upon the Noticees to show cause why inquiry should not be held against them and penalty, if any, should not be imposed on them under section 15HB of the SEBI Act.

15. Further, the detailed replies filed by the Noticees and the submissions advanced during personal hearing demonstrate that the Noticees were fully aware of the case they had to meet and were able to respond on all aspects of the allegations. Therefore, I am unable to hold that the SCN was so vague or uncertain as to render the proceedings unsustainable. The question whether the omitted facts were material, whether they constituted matters requiring disclosure and whether the ingredients of regulation 245 read with Schedule VI stand attracted are matters going to the merits of the allegations and are required to be examined issue-wise in the subsequent part of this order. The absence of a final finding on those questions at the stage of the SCN does not invalidate the SCN. Hence, the contention of Noticee in this regard is devoid of merit.

Issues raised by Noticees regarding hindsight bias and the effect of NSE's scrutiny/in-principle approval

16. The Noticees further contended that the present proceedings suffered from hindsight bias. According to them, Noticee 1's SME IPO was subject to primary due diligence and scrutiny by NSE as the designated stock exchange. It was submitted that NSE had reviewed the DRHP over eight rounds of queries, including one specifically concerning regulatory actions and defaults relating to Mr. Sumit Bajla and TIPL, before granting in-principle approval on August 14, 2025. On this basis, the Noticees contended that where a regulator had taken an informed decision on a given set of facts, such decision ought not, in the absence of any change in those facts, to be revisited later with the benefit of hindsight to the detriment of the regulated entity.



17. In support of the aforesaid contention, the Noticees relied upon DLF Limited v. SEBI, submitting that SAT had quashed a SEBI order restraining DLF Limited and its promoters from the securities market for alleged IPO disclosure violations, holding that once the regulatory process had taken an informed and considered view permitting an IPO to proceed, that view could not be reopened years later on the same facts, particularly in the absence of investor loss. The Noticees also relied upon the adjudication order in Sigma Solve Limited, submitting that it had been held therein that a subsequent event or decision by the company could not lead to an adverse inference or to the conclusion that the prospectus was misleading. On that basis, the Noticees submitted that the enquiry under regulation 245(1) could not be whether, with the benefit of a subsequent complaint and further examination, some additional information might have been included in the offer document, but whether, on the facts and circumstances existing at the relevant time, the alleged omitted information constituted a material disclosure necessary to enable an informed investment decision.
18. In this regard, at the outset, I am unable to accept the submission of Noticees that scrutiny by NSE or grant of in-principle approval by the NSE, by itself precludes subsequent examination by SEBI as to whether the offer document contained all disclosures required under the ICDR framework. The obligations cast upon the issuer and the merchant banker under the ICDR Regulations are statutory in nature and continue to remain their responsibility notwithstanding the exchange's scrutiny of the offer document. Mere fact that the offer document passed through the review process of NSE does not, by itself, confer immunity from subsequent examination if it is later alleged that the disclosures were incomplete, inadequate or otherwise not in conformity with the regulatory framework. Accordingly, the contention of Noticees that NSE's scrutiny or in-principle approval bars or invalidates SEBI's subsequent examination is rejected.
19. With regard to the reliance placed by Noticees in the matter of DLF Limited v. SEBI (hereinafter referred to as "**DLF**"), it is noted that the decision in DLF was rendered in



a distinct factual and legal context and turned substantially on the peculiar facts of that matter, including the nature of the disclosures in question and the timing and character of the regulatory action taken. In the said case, Hon'ble SAT, *inter alia*, held that:

"It is also evident that Kimsukh Sinha's complaint dated June 4, 2007 was already on record with the respondent before the appellant was given the go-ahead with respect to the IPO. The Respondent has failed miserably to show that it was handicapped in any manner in not scrutinizing these aspects before permitting the appellant to publish the Final Prospectus.....In fact, that was the correct stage when the respondent, as a responsible regulator, should have taken a view to protect the interest of Investors to regulate the market, if in its opinion the Appellant was not making proper disclosures."

20. In the present case, however, the complaint was received by SEBI only vide email dated September 12, 2025, i.e., after the Issue had already opened on September 9, 2025. Therefore, unlike in DLF Limited, it cannot be said that the very complaint forming the basis of the present examination was already available with the regulator at the stage of scrutiny of the offer document. To that extent, the factual foundation of DLF Limited is clearly distinguishable and the said decision does not advance the case of the Noticees on this objection.

21. Similarly, the reliance placed on Sigma Solve Limited is also distinguishable. In that matter, as pointed out by the Noticees, the issue concerned whether a subsequent event or decision by the company could retrospectively render the disclosures in the prospectus misleading. The present matter, however, does not turn on any subsequent event or subsequent decision of Noticee 1 after issuance of the offer document. Rather, the allegations concern the adequacy or otherwise of disclosures in relation to facts that are alleged to have existed and been relevant at the time of the offer document itself, namely the liquidation status of TISPL, the past default of TIPL, and the classification and liquidation status of TEPL. Therefore, the principle applied in Sigma Solve Limited, namely that a later event cannot retrospectively make an earlier disclosure misleading, does not govern the allegations in the present proceedings. Accordingly, the reliance placed by Noticees in the said case is also misplaced.



22. However, with regard to the Noticees submissions that the enquiry under regulation 245(1) must be conducted on the facts and circumstances existing at the relevant time and whether the alleged omitted information constituted a material disclosure necessary to enable an informed investment decision, I accept the same and the allegations will be assessed on that basis in the subsequent part of this order.

Issues raised by Noticees regarding long lookback period

23. The Noticees further contended that the allegations in the SCN were founded on an unreasonably long lookback period. According to them, the case traversed facts extending over several years, including Mr. Sumit Bajla's association with TIPL from 2007, Axis Bank facilities sanctioned between 2010 and 2016 and settled in October 2020, TISPL's historical shareholding which had become nil by 2016 and Ms. Puja Bajla's shareholding in TEPL first crossing the 20% threshold in FY 2014-15. The Noticees submitted that where the ICDR Regulations intended a specific lookback period, the same had been expressly provided and in the absence of such prescription, regulation 245 could not be stretched into an unlimited historical disclosure obligation. It was therefore contended that stale matters should not be pursued unnecessarily. The Noticees have also relied on the rulings of Hon'ble Supreme Court in the matter of SEBI v. Bhavesh Pabari, State of Gujarat v. Patel Raghav Natha and SEBI v. Sunil Krishna Khaitan & Ors. and ruling of Hon'ble SAT in the matter of Shriram Insight Share Brokers Ltd. v. SEBI.

24. In this regard, it is noted that the present proceedings are not founded on any challenge to historical events in the abstract but on the allegation that certain facts and circumstances were not appropriately disclosed in the offer document at the relevant time. This is not a case where the alleged defaults or events occurred in the past and the SCN has been issued much later for contravention of those very past events. Rather, the issue in the present matter concerns the correctness, adequacy and completeness of the disclosures in the offer document filed by Noticee 1 in the year 2025 and the historical facts are relevant only to the extent they are alleged to



bear upon such disclosures. The mere fact that the underlying facts have a historical origin does not, by itself, render regulatory scrutiny impermissible, if such facts are alleged to bear upon the correctness, adequacy or completeness of disclosures made in connection with the IPO. Whether those historical facts retained sufficient materiality or nexus with the disclosures required in the offer document is a matter that goes to the merits of the individual allegations and not to the maintainability of the proceedings as such. Accordingly, I am of the view that the objection regarding the alleged long lookback period does not vitiate the present proceedings, though the relevance and materiality of the historical facts relied upon shall be examined while dealing with the respective allegations on merits. Hence, I am unable to accept the aforesaid contention of the Noticee.

Issues raised by Noticees regarding SEBI's role in respect of the SME offer document

25. The Noticees further contended that the present proceedings had to be viewed in the context of the statutory framework applicable to SME issues. According to them, regulation 246 of the ICDR Regulations provided that, in the case of an SME issue, the issuer shall file a copy of the offer document with SEBI through the lead manager immediately upon filing the same with the Registrar of Companies and that SEBI shall not issue any observation on the offer document. The Noticees submitted that this reflected a deliberate statutory scheme under which front-end scrutiny of the offer document was undertaken by the designated stock exchange, namely NSE and not by SEBI directly. On that basis, they contended that, having expressly not issued observations on the offer document at the relevant stage, SEBI could not subsequently proceed adjudication upon the adequacy of disclosures on the offer document.
26. In this regard, it is relevant to note that regulation 246(2), which provides that the Board shall not issue observations on the offer document in case of an SME issue, cannot be read to mean that SEBI is deprived of its statutory power to examine, after



filing or listing, whether the disclosures made in such offer document were in conformity with the ICDR Regulations. The absence of pre-issue observations by SEBI under the SME framework is a feature of the regulatory process for filing of the offer document. It does not amount to a statutory exclusion of SEBI's enforcement or adjudicatory jurisdiction under the SEBI Act and the Regulations framed thereunder. The obligations cast upon the issuer and the merchant banker with respect to the correctness, adequacy and completeness of disclosures continue to subsist notwithstanding the procedural distinction between SME issues and main board issues. Accordingly, I am unable to accept the contention that SEBI's limited role at the pre-issue stage under regulation 246 bars or invalidates the present proceedings.

27. I shall now proceed to deal with the matter on merits.

Issue I. Whether Noticee 1, by failing to disclose liquidation status of TISPL in the offer document, violated the provisions of regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations by Noticee 1?

28. It was alleged in the SCN that the liquidation status of TISPL had not been disclosed in the offer documents of Noticee 1.

29. In this regard, the Noticees contended that the TISPL was admittedly and correctly classified as not a promoter group entity and once that position was accepted, there could be no question of any mandatory disclosure merely on account of its liquidation. The Noticees submitted that the allegation had first to satisfy the requirement of materiality and insofar as it was sought to be treated as a risk-factor omission, the SCN had to identify a subsisting or prospective risk capable of having a material impact on investors of Noticee 1. It was contended that neither the examination report nor the SCN identified any such risk or explained how the liquidation of TISPL was material to the business, financial position or investment decision concerning Noticee 1.

30. I have considered the aforesaid contention. At the outset, it is relevant to note that the substance of the present allegation is not that TISPL was wrongly classified. On the



contrary, the NSE report which has been relied upon by SEBI itself indicates that, “*Mr. Sumit Bajla and Mr. Amith Bajla are the promoters of TISPL and hold 9.76% each respectively in TISPL...Accordingly it appears that TISPL have correctly been classified as not the promoter group entity of the Issuer Company in accordance to the regulation 2(1)(PP)(iv)*”. The issue, therefore, is narrower, namely whether, notwithstanding such classification, the fact that TISPL was under liquidation constituted a material fact requiring disclosure in the offer document under regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations.

31. In this context, it is important to note that regulation 245(1) of the ICDR Regulations requires that the offer document shall contain all material disclosures which are true and adequate so as to enable applicants to take an informed investment decision. The obligation is undoubtedly broad, however, the same cannot be divorced from the requirement of materiality. In order to sustain the allegation of non-disclosure of the liquidation status of TISPL under regulation 245(1), it was necessary to demonstrate that, notwithstanding the accepted position that TISPL was not a promoter group entity of Noticee 1, the fact of its liquidation had such nexus with the issuer, its promoters, promoter group, business, finances, management or risk profile as would make its disclosure necessary to enable an informed investment decision by investors.
32. Regulation 245(1) requires disclosure of material facts in the context of the issue. It does not warrant disclosure of every fact concerning every entity having some past association with the promoters unless such fact bears a material nexus to the issuer and the issue. In the present case, no such nexus has been identified on the basis of the material available on record. The SCN does not indicate how the liquidation of TISPL, which was accepted as not being a promoter group entity of Noticee 1, had any bearing on the business operations, financial position, management, control or risk profile of Noticee 1. There is also nothing on record to show any other continuing connection or nexus between Noticee 1 and TISPL at the relevant time that would



make the liquidation status of TISPL a material disclosure for the purposes of regulation 245(1).

33. In these circumstances, I am unable to hold that the mere fact that TISPL was under liquidation, without anything further to establish its materiality in the context of Noticee 1 and the issue, constituted a fact mandatorily requiring disclosure in the offer document. Accordingly, the allegation that Noticee 1 had violated regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations by not disclosing the liquidation status of TISPL is not established.

34. Since the allegation under the present issue has not been established, the other contentions advanced by the Noticees in respect of this issue do not merit further consideration.

Issue II. Whether Noticee 1, by failing to disclose an appropriate risk factor in respect of the past default of TIPL in the offer document, violated regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations?

35. It was alleged in the SCN that Noticee 1 had failed to disclose, in the offer document, an appropriate risk factor in respect of the past default of TIPL, which had been classified therein as a promoter group entity.

36. In this regard, the Noticees contended that the examination Report itself recorded that the default had been settled in FY 2020 and could not be considered a continuing default. The Noticees submitted that the allegation was confined only to failure to disclose an appropriate risk factor in respect of a past and settled default and that such a settled historical event did not automatically attract disclosure under regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations. It was further contended that the examination report itself stated that such disclosure ought to have been made only “as abundant precaution”, which, according to the Noticees, showed that the same was at best a matter of prudence and not a mandatory disclosure obligation.



37. In this connection, it is material to note that the default committed by TIPL on Axis bank loan was settled in FY 2020, well before the finalization and filing of the offer document. Further, the material available on record does not depict that, at the time of the public issue, there existed any active financial liability, ongoing litigation or operational distress arising from this past event that could impact the financial health or risk profile of the Issuer Company.

38. In evaluating this matter, due regard must be given to the statutory principles governing risk factor disclosures under the ICDR Regulations. The Regulations expressly stipulate that risk factors are to be determined on the basis of their materiality. In doing so, it is required to be considered that: (a) some risks may not be material individually but may be material collectively; (b) some risks may have a material impact which is qualitative though not quantitative; and (c) some risks may not be material at present but may have a material impact in the future.

39. Applying the aforesaid parameters to the facts of the present case, the past default of TIPL is required to be assessed through the lens of materiality. The statutory criteria require an examination as to whether the alleged risk had collective weight, qualitative significance or a reasonable likelihood of having a material impact in future. In the present case, the material available on record does not depict how a historically settled transaction involving a separate entity carried any of these characteristics. There is no objective basis to conclude that this resolved matter altered the qualitative risk profile of the Issuer Company or gave rise to any present or prospective material risk warranting disclosure in the offer document.

40. It is further noted that the NSE report, which has been relied upon by SEBI in the present proceedings, itself stated that the disclosure of TIPL's settled default ought to have been made by the Noticees "as abundant precaution". The ordinary meaning of the word "abundant" is "more than enough", while "precaution" means "an action taken to prevent something unpleasant or dangerous from happening". In ordinary parlance, the expression "abundant precaution" connotes an additional or extra measure



adopted by way of greater caution, beyond what may be strictly necessary. A precautionary measure is, by its very nature, an added safeguard taken to avoid even a remote possibility of adverse consequence. Therefore, by characterising the expected disclosure as one required “as abundant precaution”, the examination itself indicates that such disclosure was viewed as a matter of extra caution or ideal defensive reporting, rather than as a clearly mandated legal requirement under the ICDR Regulations.

41. It is a well-established principle that a matter described as one of “precaution” cannot, without more, be elevated into a mandatory disclosure obligation unless the statutory basis for such obligation is clearly demonstrated. An act of precaution inherently refers to a step taken beyond the strict minimum legal requirement to guard against even a remote possibility of adverse impact. In the present case, when the examination itself characterised the expected disclosure as one of abundant precaution and when the material on record does not otherwise establish any present or prospective material risk to the Issuer Company arising out of the settled default of TIPL, I am inclined to extend the benefit of doubt to Noticee 1.

42. In these circumstances, I am unable to hold that the non-disclosure of an appropriate risk factor in respect of the past settled default of TIPL amounted to violation of regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations. Accordingly, the allegation against Noticee 1 on this issue is not established.

43. Since the allegation under the present issue has not been established, the other contentions advanced by the Noticees in respect of this issue do not merit further consideration.

Issue III. Whether Noticee 1, by failing to disclose TEPL as part of the promoter group in the offer document and by failing to disclose its liquidation status, violated regulations 2(1)(pp)(iv) and 245(1) read with para 5 of Part A of Schedule VI of the ICDR Regulations?



44. It was alleged in the SCN that Noticee 1 had failed to disclose TEPL as part of the promoter group in the offer document and had further failed to disclose the fact that TEPL was under liquidation.

45. In this regard, the Noticees contended that the TEPL had been under liquidation since July 11, 2022, its affairs were under the complete control of the liquidator and its own shareholding in Noticee 1 had already been reduced to nil well before the IPO. The Noticees further submitted that Ms. Puja Sumit Bajla had furnished a CA-certified declaration confirming that she held no active investment in TEPL, the investment having been fully written off and that the classification adopted in the offer document was, therefore, a bona fide position based on contemporaneous records and circumstances.

46. At the outset, it is material to note that the allegation concerning TEPL has two aspects, namely, first, whether TEPL ought to have been disclosed as part of the promoter group of Noticee 1 under regulation 2(1)(pp)(iv) of the ICDR Regulations and second, whether the liquidation status of TEPL ought to have been disclosed in the offer document. The first aspect necessarily falls to be examined with reference to the express language of regulation 2(1)(pp)(iv) that, *inter alia*, states as under:

“(pp) “promoter group” includes:

.....

iv) in case the promoter is an individual:

A) any body corporate in which twenty per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of their relative is a member;”

47. Thus, the test prescribed under the regulation is a shareholding-based test and not one dependent on whether the entity is active or under liquidation. Once the factual threshold contemplated under the regulation is met, the consequence of inclusion within promoter group follows.



48. In the present case, the material available on record indicates that Ms. Puja Sumit Bajla, who is a promoter of Noticee 1, held approximately 19.85% in TEPL from FY 2011-12 to FY 2013-14, which increased to approximately 71.33% in FY 2014-15 and thereafter to approximately 80.28% in FY 2021-22. The Noticees have not disputed the said facts. Therefore, the 20% threshold prescribed under regulation 2(1)(pp)(iv) stood crossed from FY 2014-15 onwards. In view of the plain language of the regulation, TEPL squarely fell within the ambit of promoter group of Noticee 1.
49. The Noticees had also contended in their replies and during the hearing that SEBI had taken contrary positions with regard to reliance on the CA declarations and on the effect of liquidation on promoter-group disclosure. According to the Noticees, in the case of TISPL, since TISPL was under liquidation and Ms. Bajla had submitted a CA declaration stating that they did not hold any active investment in TISPL, the same was accepted by NSE and SEBI while holding that TISPL had rightly not been classified as part of the promoter group, whereas, in the case of TEPL, a similar position was not accepted. In this regard, it is noted from the material available on record that the Noticees have sought to equate two factually distinct situations. From the examination material of NSE and SEBI, it is evident that TISPL was not treated as part of the promoter group not merely because of the CA declaration or its liquidation status, but because the shareholding of the relevant promoters/promoter-group entities of Noticee 1 in TISPL did not cross the threshold prescribed under regulation 2(1)(pp)(iv). In this regard, the examination record itself noted that *"In the present case, Mr. Sumit Bajla and Mr. Amith Bajla are the promoters of TISPL and hold 9.76% each respectively in TISPL. This is as per the MGT-7 filing of TISPL for the financial year ended March 31, 2025 (before it went into liquidation). Mr. Sumit Bajla and Mr. Amith Bajla are promoter group entities of the Issuer Company..... Accordingly it appears that TISPL have correctly been classified as not the promoter group entity of the Issuer Company in accordance to the regulation 2(1)(pp)(iv)."*



50. It is also relevant to note that, in the case of TISPL, the examination team considered the shareholding of Mr. Sumit Bajla and Mr. Amith Bajla for the purpose of applying regulation 2(1)(pp)(iv) and the examination report is silent as to whether Ms. Puja Bajla held any shareholding in TISPL on the relevant dates. Further, the Noticees have also not produced any material in the present proceedings to demonstrate that Ms. Puja Bajla held any shareholding in TISPL crossing the threshold prescribed under regulation 2(1)(pp)(iv), which was nevertheless ignored or accepted by the examination team.

51. Therefore, the reliance placed by the Noticees on the treatment of TISPL is misplaced. The issue in the case of TISPL turned on the non-fulfilment of the statutory shareholding threshold, whereas in the case of TEPL, the shareholding threshold under regulation 2(1)(pp)(iv) stood admittedly crossed.

52. Further, with regard to the contention of the Noticees that TEPL was under liquidation since July 11, 2022 and that its affairs were under the control of the liquidator, it is noted from the information available in the public domain, namely the website of the Hon'ble National Company Law Tribunal ("NCLT"), that the liquidator in respect of TEPL came to be appointed only on April 04, 2025 and not on July 11, 2022 as contended by the Noticees. The material available on record indicates that on July 11, 2022, corporate insolvency resolution process ("CIRP") was initiated against TEPL, which was subsequently withdrawn vide order dated August 05, 2022. Thereafter, on account of breach of consent terms, CIRP against TEPL was again initiated vide order dated February 09, 2023. It was only thereafter, on the application moved by the Resolution Professional seeking liquidation of TEPL, that the Hon'ble NCLT, vide order dated April 04, 2025, appointed a liquidator. The relevant extracts of Hon'ble NCLT orders dated February 09, 2023 and April 04, 2025 in the matter of Gatik Conglomerate Private Limited v. Taurian Engineering Private Limited³ are as under:

³C.P. (IB)/33(MB)2023



Order dated February 09, 2023:

“2. On reading the application and other material placed before this Bench, it reveals that on 06.05.2022, the Financial Creditor filed a Company Petition No. 658 of 2022 before this Tribunal under section 7 of the Insolvency and Bankruptcy Code, 2016 for **initiation of corporate insolvency resolution process against the Corporate Debtor and the same was admitted by this Tribunal vide order dated 11.07.2022.** After the admission of the CIRP against the Corporate Debtor, one of the directors filed a Company Appeal (AT) (Insolvency) No. 931 of 2022 against the admission order dated 11.07.2022. Meanwhile, the Financial Creditor and the Corporate Debtor entered into Consent Terms dated 01.08.2022, wherein the Corporate Debtor agreed and consented to pay a sum of Rs. 3,00,00,000 (Rupees Three Crore Only) to the Financial Creditor. **In view of Consent Terms, the Hon’ble National Company Law Appellate Tribunal vide order dated 05.08.2022 in Company Appeal (AT) (Insolvency) No. 931/2022 allowed I.A. No. 2632/2022 and permitted the Corporate Debtor and Financial Creditor herein to withdraw C.P.(IB)/658/2022. Thus, the process of CIRP against the Corporate Debtor was withdrawn.**

.....
5. The Corporate Debtor has not submitted anything or raised any objection to the present application. Moreover, the Corporate Debtor has accepted the breach of consent terms. **In view of the same, this Bench is of the view, the material on record has proved the ‘existence of debt’ and ‘default’ on the part of the Corporate Debtor. Moreover, the date of default as per the breach of consent terms is 07.08.2022,** which is very much within the limitation to file the present application. Under the said circumstances, since the debt and default on the part of the Corporate Debtor being proved and also by looking at the consent given by an Insolvency Professional, we hereby admit this petition by appointing Mr. Neehal Mahamulal Pathan (Insolvency Professional) as IRP with a direction to the IRP to compute this claim by deducting the payments made by the Corporate Debtor, if any. The Petitioner shall pay the remuneration of the IRP as well as initial costs to the IRP until constitution of the Committee of Creditors. Accordingly, this petition is admitted with the direction as follows: -

a. The above Company Petition (IB) 33(MB)/2023 is hereby allowed and initiation of Corporate Insolvency Resolution Process (CIRP) is ordered against Taurian Engineering Private Limited.” (Emphasis Supplied)

Order dated April 04, 2025:

“1. This application is filed by the Resolution Professional (RP) seeking liquidation of the Corporate Debtor.....

Since the appointment has been duly approved by the Committee of Creditors (CoC), this Tribunal concurs with the recommendation and hereby appoints Mr. Rakesh Chaudhary as the Liquidator, on the terms and conditions as proposed by the CoC. With these observations, IA No (Liq)/16/2025 is allowed and disposed of accordingly.” (Emphasis Supplied)



53. Thus, the contention of the Noticees that TEPL was under liquidation since July 11, 2022 is factually incorrect. From the aforesaid, it follows that at the time of filing of the DRHP on February 28, 2025, TEPL was not under liquidation. Even so, TEPL, despite satisfying the shareholding threshold under regulation 2(1)(pp)(iv), was not disclosed as part of the promoter group in the offer document.

54. Even otherwise, the contention of the Noticees that TEPL was under liquidation, that its affairs were under the control of the liquidator, that Ms. Puja Sumit Bajla had no active investment in it or that the investment had been written off, cannot override the express requirement of regulation 2(1)(pp)(iv). The said regulation does not carve out any exception on account of liquidation or write-off of investment. Similarly, the fact that TEPL's own shareholding in Noticee 1 had been reduced to nil prior to the IPO does not displace the operation of the regulation, since the relevant test under regulation 2(1)(pp)(iv) is the holding of the promoter in the body corporate, which stood satisfied in the present case.

55. In this context, reference may also be drawn from the principle noticed by Hon'ble Income Tax Appellate Tribunal in the matter of Bharat Hari Singhania (HUF) v. Assistant Commissioner of Income-Tax⁴, the relevant extracts of which are as under:

*"...The order of the High Court dated 21-11-1986 on company petition no. 377 of 1974 is an order passed under section 433 of the Companies Act on the petition of M/s. Babulal Krishna Gopal, a partnership firm, which was a creditor of ACIL. The High Court has directed that the ACIL be wound up by the Court under the provisions of the Companies Act. The effect of this order is not that the Company has been finally dissolved. That result would follow only where an order is passed under section 481 of the Act dissolving the company, when the affairs of the company have been completely wound up. It is only the order passed by the High Court under section 481 of the Companies Act dissolving the company which puts an end to the existence of the company. Once such an order is passed, the company becomes a non-existent party. **The order of the High Court under section 433 of the Companies Act only sets in motion the liquidation proceedings which have to culminate in an order of dissolution under section 481. Unless and until such an order of dissolution is passed, it is not***

⁴[1996] 58 ITD 189 (KOL)



possible to say that the rights of the shareholders have come to an end. The shares continue to exist with the shareholders. A detailed procedure is prescribed by the Companies Act where the winding up is ordered by the Court and such procedure is laid down by sections 433 to 447. The effect of liquidation proceedings on the rights of the shareholders has been stated by the Calcutta High Court in the case of *CIT v. Associated Industrial Development Co. (P) Ltd.* (1969) 73 ITR 50 at page 52 as under:

"It is important to remember that a share in a company is the expression of a proprietary relationship, the shareholder is the proportionate owner of the company but he does not own the company's assets which belong to the company as a separate and independent legal entity. A share represents a bundle of rights. On liquidation, voluntary or compulsory, the holder's ownership over those rights are neither extinguished nor obliterated, only the contents of those rights and the manner of their exercise become altered."

The above statement of the law by the jurisdictional High Court is binding on us and we have to, therefore, hold that the rights in the shares held by the assessee were not extinguished as soon as the order was passed by the High Court on 21-11-1986." (Emphasis Supplied)

56. The ratio emerging from the aforesaid decision is that commencement of liquidation proceedings does not ipso facto bring the corporate existence of a company or the rights attached to its shareholding, to an end. The relevant legal position is that the company continues to exist and the rights of shareholders are not extinguished, unless and until a final order of dissolution is passed in accordance with law. The principle, therefore, is that pendency of liquidation-related proceedings does not, by itself, obliterate the shareholding position of a shareholder in the concerned entity.

57. Applying the aforesaid principle to the facts of the present case, it is evident that the contention of the Noticees that TEPL stood excluded from the promoter group disclosure framework merely because liquidation proceedings had been initiated against it cannot be accepted. As already noted above, TEPL was not even in liquidation as on the date of filing of the DRHP, i.e., February 28, 2025. The order appointing liquidator came to be passed only on April 04, 2025. Therefore, on the date of filing of the DRHP, there was no factual basis to contend that TEPL had ceased to be relevant for the purposes of promoter-group classification.



58. Even as regards the stage of filing of the RHP on September 01, 2025, the Noticees have not placed any material on record to demonstrate that TEPL had, by that date, stood finally dissolved or that its separate legal existence had otherwise come to an end. On the contrary, from the status reflected on the NCLT website and the material available on record, what emerges is at best pendency/continuance of liquidation-related proceedings. No material has been produced by the Noticees to show that, by September 01, 2025, TEPL had actually been dissolved or that the shareholding position relevant under regulation 2(1)(pp)(iv) had been extinguished in law.
59. It is also relevant to note that no material has been placed before me to show that Noticee 1 or the concerned Noticees had approached SEBI by way of any application under regulation 300 of the ICDR Regulations seeking exemption or relaxation from compliance with the disclosure requirements arising in the facts of the present case. In the absence of any such application or exemption having been granted, the Noticees cannot justify the non-disclosure of TEPL as part of the promoter group on the basis of their own understanding that, owing to liquidation-related circumstances or write-off of investment, TEPL need not be disclosed. So long as the statutory requirement under regulation 2(1)(pp)(iv) stood attracted, compliance therewith was required unless specifically exempted in accordance with law.
60. In these circumstances, the plea of the Noticees that TEPL, by reason of liquidation proceedings, fell outside the scope of promoter-group disclosure cannot be accepted. The material on record rather supports the conclusion that, both at the DRHP stage and at the RHP stage, TEPL continued to remain relevant for the purposes of disclosure under regulation 2(1)(pp)(iv) and its non-disclosure as part of the promoter group was not justified.
61. Having held that TEPL ought to have been disclosed as part of the promoter group, I now turn to the second aspect, namely the non-disclosure of its liquidation status. In this regard, the Noticees contended that, even if for the sake of argument TEPL



technically fell within the definition of promoter group, the alleged dual omission, namely non-disclosure of TEPL as part of the promoter group and non-disclosure of its liquidation status, remained merely technical. According to them, the materiality of disclosing a liquidated entity having no ongoing business, no shareholding in the issuer, written-off investments was low and investors were not deprived of any information material to an informed investment decision.

62. However, I am unable to accept this contention. Once TEPL was liable to be disclosed as part of the promoter group, its legal and financial status became a matter of significance. Liquidation is not a trifling fact. It is a serious circumstance affecting the status and condition of the entity. In the case of a promoter group entity, such information is capable of influencing an investor's assessment of the promoter group profile and attendant risks. Therefore, the omission cannot be brushed aside as merely technical or immaterial. In this context, reliance is placed on the ruling of Hon'ble SAT in the matter of Electrosteel Castings Ltd. v. SEBI⁵ which has been upheld by Hon'ble Supreme Court⁶. In the said ruling, the Hon'ble SAT, *inter alia*, held as under:

".....the letter and spirit (as well as absence of pictures) of the disclosure requirement is the need for disclosing all material events in clear terms with very little discretion for judging the degree of materiality. The emphasis is on disclosure; not otherwise, which means disclose even when the issuer doubts whether there is any materiality. In other words, it would imply that only facts/ events which the issuer is undoubtedly sure of having no relevance to the issuer or to the issue can be excluded from disclosure."

63. Further, the concept of materiality is embedded in regulation 245(1) read with Part A of Schedule VI of the ICDR Regulations. The regulatory framework requires that the offer document contain all material disclosures which are true and adequate so as to enable applicants to take an informed investment decision. Moreover, Part A of Schedule VI expressly provides that risk factors are to be determined on the basis of

⁵Appeal No. 224 of 2016 dated October 23, 2019

⁶Civil Appeal No. 830 of 2020 dated April 29, 2025



their materiality and in doing so, it is required to be considered that some risks may not be material individually but may be material collectively, some risks may have a qualitative impact though not quantitative and some risks may not be material at present but may have a material impact in future.

64. Thus, the test is whether, in the facts and circumstances of the issue, such fact had a real and sufficient bearing on the decision-making process of an informed investor so as to warrant disclosure in the offer document.

65. In the present case, the material on record shows that, by the date of filing of the RHP, TEPL had already entered the stage of liquidation proceedings and its liquidation status was not disclosed in the offer document. In my view, once TEPL was liable to be disclosed as part of the promoter group, its liquidation status also constituted a material fact which ought to have been disclosed in the offer document so as to ensure completeness and adequacy of disclosures in relation to the promoter group. It is relevant in this regard to note that TEPL went into liquidation due to its failure to repay an amount of Rs. 3 crore along with interest to its financial creditor, which in my opinion appears to have a qualitative impact from an investor's prospective.

66. The Noticees also contended that they had, prior to listing (September 16, 2025), duly communicated to NSE's Listing Department (September 09, 2025), the factual position concerning TEPL, including that TEPL had acquired shares of Noticee 1 in March 2021, that a portion thereof had been transferred in FY 2021-22 and that the remaining shares had been transferred in October 2023, resulting in TEPL's shareholding in Noticee 1 being reduced to nil. They further submitted that they had informed NSE that TEPL had no continuing commercial relationship or association with the company or its promoters, and that the shareholding had been transferred prior to the IPO in order to ensure that there was no direct or indirect exposure or impact on the operations, financial position or management of Noticee 1. On that basis, it was contended that, since this factual position was available to NSE prior to



the examination report and prior to listing, it was impermissible for NSE, having raised no objection at the relevant time, to now take a contrary view with the benefit of hindsight.

67. At the outset, it is noted that the email dated September 09, 2025 relied upon by the Noticees was not part of the ordinary scrutiny of the IPO documents during the IPO process, but was sent in response to a query raised by NSE with reference to the complaint received in the matter. It is relevant to note that NSE had already granted in-principle approval for the IPO in August 2025, the RHP had already been published on September 01, 2025 and the issue had opened on September 08, 2025. Therefore, the subsequent communication dated September 09, 2025 cannot be treated as a substitute for disclosures that were otherwise required to be made in the offer document itself. Moreover, mere fact that certain information may have been communicated to NSE in the course of correspondence does not dispense with the statutory requirement of making complete and adequate disclosures in the offer document itself, if such disclosure was otherwise required under the ICDR Regulations. The obligation under regulation 245(1) is with respect to the contents of the offer document placed before investors and not merely to what may have been separately communicated to the stock exchange subsequent to the issue. Therefore, the said correspondence cannot cure or supplant a disclosure that was required to be made in the offer document itself.

68. In view of the aforesaid discussions and findings, I am of the considered view that Noticee 1, by failing to disclose TEPL as part of the promoter group in the offer document and by further failing to disclose its liquidation status, violated regulations 2(1)(pp)(iv) and 245(1) read with para 5 of Part A of Schedule VI of the ICDR Regulations.

Issue IV. Whether Noticees 2 and 3, by failing to ensure disclosure in the offer document regarding the liquidation status of TISPL, the appropriate risk factor in respect of the past default of TIPL and disclosure of TEPL as part of the promoter



group along with its liquidation status, violated regulations 245(1) and 2(1)(pp)(iv), as applicable, read with Part A of Schedule VI of the ICDR Regulations?

69. It was alleged in the SCN that Noticees 2 and 3, being directors of Noticee 1, had signed the declaration in the offer document stating that all applicable legal provisions and regulations had been complied with; however, the offer document did not contain factually correct disclosures in respect of TISPL, TIPL and TEPL. It was further alleged that Noticees 2 and 3, also being promoters of Noticee 1, were privy to the information concerning these entities, as the said entities were connected with the promoters/promoter group of Noticee 1. Accordingly, violations of regulations 245(1) and 2(1)(pp)(iv), as applicable, read with Part A of Schedule VI of the ICDR Regulations were also alleged against Noticees 2 and 3.

70. In this regard, the Noticees contended that the liability of Noticees 2 and 3 could not be fastened merely because they had signed the declaration in the offer document and that a subsequent interpretive disagreement on classification or disclosure could not retrospectively render such declaration false. It was submitted that Noticees 2 and 3 had acted on the basis of the material then available and there was no evidence of any deliberate misstatement or concealment on their part.

71. However, in the present case, the allegation against Noticees 2 and 3 is not founded only on the fact that they were signatories to the declaration, but also on the allegation that, being promoters of Noticee 1, they were privy to the information concerning TISPL, TIPL and TEPL, which were connected with the promoters / promoter group of Noticee 1. Therefore, their liability is required to be examined in the context of the underlying findings already recorded with respect to each of the three entities.

72. Insofar as the allegations relating to TISPL and TIPL are concerned, I have already held under the respective issues that the alleged violations against Noticee 1 are not established. Once the underlying allegations in relation to TISPL and TIPL themselves fail, no separate liability can survive against Noticees 2 and 3 on those counts.



Accordingly, the allegations against Noticees 2 and 3 in relation to non-disclosure of the liquidation status of TISPL and non-disclosure of an appropriate risk factor in respect of the past default of TIPL are not established.

73. However, the position is different in respect of TEPL. As already held hereinabove, TEPL ought to have been disclosed as part of the promoter group of Noticee 1 under regulation 2(1)(pp)(iv) and its liquidation status was also required to be disclosed in the offer document. The factual foundation of this disclosure requirement arose directly from the shareholding position of Noticee 3 in TEPL, which admittedly crossed the 20% threshold prescribed under regulation 2(1)(pp)(iv). This was not a matter external to or remote from Noticees 2 and 3. On the contrary, the very basis of the promoter-group classification flowed from the personal shareholding of Noticee 3 in TEPL.

74. It is also relevant to note that the Noticees have not put forward anything in the present proceedings to show that Noticees 2 and 3 were not privy to the fact that Noticee 3 was holding more than 20% shareholding in TEPL or to the status of TEPL as an entity undergoing liquidation-related proceedings. No material has been placed on record to suggest that these facts were unknown to them or that they had been kept away from the process of making promoter-group related disclosures in the offer document. In the absence of any such explanation or material and having regard to their position as promoters and directors of Noticee 1, I am unable to accept the contention that they bore no responsibility in relation to the non-disclosure concerning TEPL.

75. Further, the declaration signed by Noticees 2 and 3 in the offer document cannot be treated as a routine and casual exercise. By signing the declaration, they affirmed compliance with the applicable legal and regulatory framework governing the contents of the offer document. It further assumes significance when read together with the surrounding facts, namely that the non-disclosure concerning TEPL arose directly from the shareholding position of Noticee 3 and the liquidation status of TEPL, both of



which were facts squarely within the personal knowledge and sphere of awareness of Noticees 2 and 3.

76. Therefore, this is not a case where Noticees 2 and 3 are sought to be held liable merely because they happened to be directors of Noticee 1 or mere signatories to the offer document. Rather, this is a case where the established disclosure failure in relation to TEPL is intrinsically linked to facts peculiarly within their knowledge, particularly the shareholding of Noticee 3 in TEPL and the status of TEPL itself. In such circumstances, the plea that the matter involved only an interpretive disagreement does not absolve them of responsibility.

77. Accordingly, I hold that no liability survives against Noticees 2 and 3 in relation to the allegations concerning TISPL and TIPL, since the underlying violations themselves have not been established. However, in respect of TEPL, Noticees 2 and 3, being directors and promoters of Noticee 1 and being privy to the relevant facts, are liable for failure to ensure disclosure of TEPL as part of the promoter group and of its liquidation status in the offer document. To that extent, the allegation against Noticees 2 and 3 stands established and thereby, it is held that Noticees 2 and 3 have violated the provisions of regulations 245(1) and 2(1)(pp)(iv) read with Part A of Schedule VI of the ICDR Regulations.

Issue V. Whether Noticee 4, in its capacity as merchant banker to the issue, by allegedly failing to exercise due diligence in relation to the disclosures concerning TISPL, TIPL and TEPL in the offer document, violated regulations 245(1), 245(3) and 2(1)(pp)(iv), as applicable, read with para 5 of Part A of Schedule VI of the ICDR Regulations?

78. It was alleged in the SCN that Noticee 4, in its capacity as merchant banker to the issue, had failed to exercise due diligence in relation to the disclosures concerning TISPL, TIPL and TEPL in the offer document and had thereby violated regulations 245(1), 245(3) and 2(1)(pp)(iv), as applicable, read with para 5 of Part A of Schedule VI of the ICDR Regulations.



79. At the outset, it is noted that, in the preceding issues, I have already held that the allegations in relation to TISPL and TIPL against Noticee 1 are not established. Once the underlying allegations concerning TISPL and TIPL themselves do not survive, no separate due diligence failure can be sustained against Noticee 4 on those counts. Accordingly, the present issue requires consideration only insofar as it relates to TEPL.

80. Insofar as TEPL is concerned, it is further noted that the contentions advanced by Noticee 4, to the extent they were similar to those of Noticees 1 to 3 on promoter-group classification, liquidation-related status, materiality and the effect of communication made to NSE, have already been considered and dealt with while deciding Issue III. Therefore, under the present issue, I proceed to examine only the distinct and additional contentions raised by Noticee 4 in its capacity as merchant banker.

81. Noticee 4 contended that the allegations against it proceeded on a technical and erroneous view of due diligence, overlooking the settled legal standard of reasonable due diligence applicable to a merchant banker. It was submitted that the due diligence obligation under regulation 245(3) was not one of strict or absolute liability and did not require a merchant banker to act as an investigating agency or to anticipate every possible fact or interpretive disagreement in the absence of any circumstance exciting suspicion.

82. In this regard, it is pertinent to note that regulation 245(3) of ICDR Regulations casts a substantive obligation upon the lead manager to satisfy itself about the veracity and adequacy of disclosures in the offer document. Further, clause 4 of Schedule III of the SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as “**MB Regulations**”) requires a merchant banker to exercise due diligence, ensure proper care and **exercise independent professional judgment**. Moreover, the Hon’ble



Supreme Court in the matter of *Chander Kanta Bansal v. Rajender Singh Anand*⁷ and the Hon'ble SAT in the matter of *Almondz Global Securities Ltd. v. SEBI*⁸ have, *inter alia*, observed that "due diligence" means reasonable diligence and such diligence as a prudent man would exercise in the conduct of his own affairs. Thus, the standard applicable to Noticee 4 is one of reasonable diligence and at the same time, such standard does require the merchant banker to apply an independent mind to the material available before it and to ensure that the disclosures in the offer document satisfy the applicable regulatory requirements.

83. Noticee 4 further contended that it had relied upon MGT-7 records, MCA filings and independent CA declarations while assessing the disclosure position concerning TEPL. However, this very contention, when tested against the material on record, does not assist Noticee 4. From the examination material, it is evident that the finding that Ms. Puja Bajla's shareholding in TEPL had crossed the 20% threshold was itself derived from the MGT-7 filed for the financial year ended March 31, 2015. Noticee 4 has not disputed this factual position. Therefore, if Noticee 4 had indeed relied on MCA filings and MGT-7 records, as claimed by it, the fact that Ms. Puja Bajla's shareholding in TEPL had crossed the threshold prescribed under regulation 2(1)(pp)(iv) was very much apparent and known to it at the relevant time.

84. Further, the material on record also indicates that the MCA records, which Noticee 4 itself claimed to have examined, reflected the status of TEPL as being under liquidation. Not only that, in its own replies to the queries raised by NSE pursuant to the complaint received in the matter, Noticee 4 itself stated that TEPL had not been disclosed as part of the promoter group because it was under liquidation. Noticee 4 also furnished to NSE the historical shareholding details of TEPL, which showed that Ms. Puja Bajla was holding more than 80% shares in TEPL. Thus, the material on record conclusively establishes that, at the relevant time, Noticee 4 was aware both

⁷(2008) 5 SCC 117

⁸Appeal No. 275 of 2014. Relied upon by Noticee 4 in its replies.



of the fact that Ms. Puja Bajla had crossed the threshold contemplated under regulation 2(1)(pp)(iv) and of the fact that TEPL was under liquidation. Despite such knowledge, Noticee 4 failed to ensure that the same was appropriately disclosed in the offer document. In such circumstances, Noticee 4 cannot simply take shelter under the CA certificate when the contemporaneous statutory and public domain records themselves showed the relevant position.

85. Noticee 4 also relied upon the adjudication order in the matter of *Aryaman Financial Services Limited*, submitting that a merchant banker was exonerated therein on the basis that it had exercised due diligence by obtaining a CA-certified declaration. I have considered this submission. The facts and circumstances of *Aryaman Financial Services Limited* are materially distinct from those of the present case. In that matter, certain relatives of the promoters were not disclosed in the promoter group and the fact of such non-disclosure, together with the reason for such exclusion, was itself expressly disclosed in the offer document. The reason stated therein was that the promoters did not maintain personal or business relationships or dealings with those persons in the ordinary course, that none of those persons had financial transactions with the issuer company and that they had no interest in the shareholding of the issuer company. The merchant banker in that case verified the correctness of that disclosed explanation by obtaining a certificate from a chartered accountant confirming that the said disassociated relatives had no transactions with the issuer. In contrast, in the present case, the relevant facts concerning Ms. Puja Bajla's shareholding in TEPL and the status of TEPL were themselves borne out by contemporaneous records, yet TEPL was not disclosed as part of the promoter group and its liquidation-related status was also not disclosed in the offer document. Therefore, Noticee 4 cannot derive support from the decision in *Aryaman Financial Services Limited*.

86. Noticee 4 also relied upon the adjudication order in *Sigma Solve Limited*. The facts of *Sigma Solve Limited* were also entirely different. In that matter, the issue was whether the documents furnished by the merchant banker provided adequate support for the



object of the issue described as “Acquisition and other strategic initiatives”. The offer document itself had expressly disclosed the said object, had also disclosed under the risk factors that the acquisition target had not been finalised and the adjudicating officer accepted the submission that such a structure was permissible under the ICDR framework. Thus, Sigma Solve Limited was a case where the issue concerned adequacy of backing for an expressly disclosed object and associated risk that was already set out in the offer document itself. In the present case, however, the issue is not adequacy of support for a disclosed item, but non-disclosure itself, namely failure to disclose TEPL as part of the promoter group and failure to disclose its liquidation-related status. Therefore, the ratio of *Sigma Solve Limited* does not advance the case of Noticee 4.

87. In view of the aforesaid discussion, I hold that no liability survives against Noticee 4 in relation to the allegations concerning TISPL and TIPL, since the underlying allegations in relation to those two entities themselves have not been established. However, insofar as TEPL is concerned, Noticee 4, in its capacity as merchant banker to the issue, failed to exercise due diligence, in relation to the promoter-group disclosure concerning TEPL and the disclosure of its liquidation-related status in the offer document. Hence, it is established that Noticee 4 had violated the provisions of regulations 245(3), 245(1) and 2(1)(pp)(iv) read with para 5 of Part A of Schedule VI of the ICDR Regulations.

Issue VI. Does the violation, if any, on the part of Noticees attract monetary penalty under section 15HB of the SEBI Act?

Issue VII. If so, what would be the quantum of monetary penalty that can be imposed on Noticees after taking into consideration the factors stipulated in section 15J of the SEBI Act?

88. In the preceding paragraphs, I have held that the allegations concerning TISPL and TIPL are not established against any of the Noticees. I have, however, held that Noticees 1 to 3 had violated the provisions of regulations 2(1)(pp)(iv) and 245(1) read



with para 5 of Part A of Schedule VI of the ICDR Regulations by failing to disclose TEPL as part of the promoter group in the offer document and by failing to disclose its liquidation status. I have also held that Noticee 4, in its capacity as merchant banker to the issue, failed to exercise due diligence in relation to the disclosure concerning TEPL and its liquidation-related status, thereby violating the provisions of regulations 2(1)(pp)(iv), 245(1) and 245(3) read with para 5 of Part A of Schedule VI of the ICDR Regulations. Therefore, the issue that survives for consideration is whether penalty is warranted in respect of the established violations concerning TEPL.

89. The Noticees contended that no penalty ought to be imposed even if any deficiency were to be inferred. According to them, the present matter involved, at the highest, technical and bona fide disclosure/classification issues concerning historical facts, without any allegation of fraud, deliberate concealment, investor loss, unlawful gain, market abuse or repetitive conduct. It was submitted that not every breach or error merited monetary penalty and that the power to impose penalty included the discretion to impose no penalty in an appropriate case. The Noticees further contended that even a minimal penalty would leave an undeserved and lasting reputational blot upon them. They have also placed reliance on the orders of Hon'ble Supreme Court in the matter of *Bharjatiya Steel Industries v. Commissioner, Sales Tax, Uttar Pradesh*⁹ (hereinafter referred to as "Bharjatiya") and *SEBI v. Bhavesh Pabari*¹⁰ (hereinafter referred to as "Bhavesh Pabari"), orders of Hon'ble SAT in the matter of *P.G Electroplast Ltd. & Ors. v. SEBI*¹¹ (hereinafter referred to as "P.G Electroplast") and *Piramal Enterprises Limited v. SEBI*¹² (hereinafter referred to as "Piramal") and the SEBI order in the matter of *Finshore Management Services Ltd.*¹³

⁹(2008) 11 SCC 617

¹⁰2019 SCC OnLine SC 294

¹¹2019 SCC OnLine SAT 148

¹²2019 SCC OnLine SAT 134

¹³Order/BS/LS/2025-26/1698 dated September 30, 2025



90. In this regard, it is pertinent to note that, in the present matter, a violation of the disclosure framework governing offer documents is established, particularly in relation to promoter-group disclosures and the same cannot be treated as inconsequential. Promoter-group related disclosures are an important component of the offer document and are relevant to investor assessment of the issuer and the persons/entities connected with its promoters. Therefore, once the disclosure failure concerning TEPL stands established, the contravention attracts the consequence contemplated under section 15HB of the SEBI Act.

91. Further, upon perusal of the cases relied upon by Noticees, it is noted that the facts, circumstances and regulatory frameworks in those matters are materially different from the present proceedings. Further, these Noticees have also failed to demonstrate how the aforesaid cases will be applicable in the instant proceedings. I shall now proceed to deal with each of aforesaid cases in the following paragraphs.

92. The Noticee has placed reliance in Bharjatiya citing that in the said case it was held that the concerned authority always has to exercise its discretion as to whether to levy a penalty or not and that for the exercise of such discretion, existence of mens rea becomes a relevant factor. In this regard, from the perusal of Bharjatiya, I have noted that the said judgment, *inter alia*, stated as under:

“.....Furthermore, the question as to whether mens rea is an essential ingredient or not will depend upon the nature of the right of the parties and the purpose for which penalty is sought to be imposed.

18. A distinction must also be borne in mind between a statute where no discretion is conferred upon the adjudicatory authority and where such a discretion is conferred. Whereas in the former case the principle of mens rea will be held to be imperative, in the latter, having regard to the purport and object thereof, it may not be held to be so.

.....

19. It is, therefore, difficult to accede to the contention of Mr. Banerjee that under no circumstances absence of mens rea would not be a plea for levy of penalty. An assessing authority has been conferred with a discretionary jurisdiction to levy



*penalty. By necessary implication, the authority may not levy penalty. **If it has the discretion not to levy penalty**, existence of mens rea becomes a relevant factor.”*

93. A reading of the above makes it clear that the observations in *Bharjatiya* were rendered in the context of a sales tax enactment and turned upon the nature of the statutory framework under consideration. The said judgment does not lay down any general proposition that, irrespective of the statutory scheme, absence of mens rea must necessarily preclude imposition of penalty.

94. In this context, I also note that Securities Laws (Amendment) Act, 2014 prescribed a minimum penalty, *inter alia*, under section 15HB of SEBI Act and the said amendment came into effect from the September 08, 2014. Here, it would also be relevant to draw reference to the ruling of the Hon'ble Supreme Court in the matter of *SEBI v. Sandip Ray & Ors.*¹⁴ wherein it was, *inter alia*, held:

"...Learned counsel for appellant further submits that even review application filed to make a correction in the order and to justify that the order reducing the penalty below Rs. 1,00,000/- is not permissible under Section 15HB of the SEBI Act, 1992.

After we have heard learned counsel for the appellant, it clearly manifests that the Tribunal has not taken into consideration the effect and mandate of Section 15HB of the SEBI Act, 1992.

Taking into consideration the facts and circumstances of this case, there appears no justification in calling upon the respondent and we modify the order impugned dated 29.07.2022 and the penalty of Rs.75,000/- as inflicted upon noticee no.5 (Mr. Sandip Ray) and noticee no.6 (Mr. Rajkumar Sharma), as referred to in para no. 13 of the order impugned, is modified and substituted to Rs.1,00,000/- in terms of Section 15HB of SEBI Act, 1992 and with this modification the present appeals stand disposed of. "

95. The aforesaid order reinforces that, under the present statutory framework, section 15HB prescribes a mandatory minimum penalty once liability is established. Hence, the reliance placed by the Noticees on *Bharjatiya* is misplaced. Rather, it itself recognises that the relevance of mens rea depends upon the nature of the statute and the discretion conferred therein.

¹⁴C.A. Diary No(s). 791/ 2023



96. Insofar as the reliance placed on P.G. Electroplast is concerned, it is noted that the Hon'ble SAT, in that matter, held that while imposing penalty, the Adjudicating Officer had not factored in the debarment order already passed by the Whole Time Member of SEBI against the appellants therein, which, according to Hon'ble SAT, was sufficient to address the violations established against them. The said decision thus turned on the existence of parallel proceedings culminating in a substantive debarment order under the SEBI Act. In the present case, however, there are no parallel proceedings under section 11B of the SEBI Act against the Noticees in respect of the violations alleged in the present proceedings. Accordingly, the reliance placed by the Noticees on P.G. Electroplast is misplaced.

97. Likewise, in the Piramal case, the issue pertained to alleged lapses under the SEBI (Prohibition of Insider Trading) Regulations, 1992, particularly concerning the non-closure of the trading window during Unpublished Price Sensitive Information (UPSI) and failure to handle the same. The Hon'ble SAT, considering that the information was shared on a 'need to know' basis, found no evidence of insider trading or misuse of UPSI and treated the lapse as a technical violation. The factual and regulatory context of the present case, however, stands on an altogether different footing. Here, the contravention established concerns the contents of an offer document issued to investors in connection with a public issue and specifically relates to non-disclosure of TEPL as part of the promoter group and non-disclosure of its liquidation status, despite the statutory framework under the ICDR Regulations requiring complete and adequate disclosure of material facts. Thus, unlike Piramal, the issue in the present matter is not a mere internal compliance lapse, but a disclosure failure going to the offer document itself. Accordingly, the reliance placed on Piramal is distinguishable and does not assist the Noticees.

98. Similarly, the reliance placed on the adjudication order in *Finshore Management Services Limited* is also misplaced. In that matter, the proceedings arose out of inspection of the merchant banker's records across multiple transactions and the



adjudicating officer found that the terms of reference and the charges were general in nature without clearly linking the alleged lack of due diligence or code of conduct violations to specific acts of the noticee. The observations therein were made in the context of broad and inspection-based allegations such as non-availability of incorporation certificate, site verification photographs, proof of dispatch of offer documents and failure to present information in the required format, where the terms of reference themselves were found to lack specificity. The present case stands on a different footing. Here, the allegation against Noticee 4 is not a generalized inspection-based allegation of deficient systems or record-keeping, but a specific allegation relating to the offer document of Noticee 1 and, more particularly, the non-disclosure of TEPL as part of the promoter group and non-disclosure of its liquidation status despite the factual threshold under regulation 2(1)(pp)(iv) being satisfied. Thus, unlike in *Finshore Management Services Limited*, the present proceedings are founded on a clearly identified disclosure lapse linked to a specific statutory requirement and a specific act of omission in the offer document. Accordingly, the reliance placed on *Finshore Management Services Limited* is distinguishable and does not assist Noticees.

99. As regards the contention of the Noticees that, in *SEBI v. Bhavesh Pabari*, the Hon'ble Supreme Court has held that the adjudicating officers of SEBI have sufficient discretion to impose penalties or exonerate entities, it is pertinent to note that, in the said matter, the Hon'ble Supreme Court, *inter alia*, held as under:-

“8..... we are inclined to take the view that the provisions of clauses (a), (b) and (c) of Section 15J are illustrative in nature and have to be taken into account whenever such circumstances exist. But this is not to say that there can be no other circumstance(s) beyond those enumerated in clauses (a), (b) and (c) of Section 15J that the Adjudicating Officer is precluded in law from considering while deciding on the quantum of penalty to be imposed.

9. A narrow view would be in direct conflict with the provisions of Section 15I(2) of the SEBI Act which vests jurisdiction in the Adjudicating Officer, who is empowered on completion of the inquiry to impose “such penalty as he thinks fit in accordance with the provisions of any of those sections.”



.....

12. At this stage, we must also deal with and reject the argument raised by some of the private appellants that the conditions stipulated in clauses (a) to (c) of Section 15J are mandatory conditions which must be read into Sections 15A to 15HA in the sense that unless the conditions specified in clauses (a) to (c) are satisfied, penalty cannot be imposed by the Adjudicating Officer under the substantive provisions of Sections 15A to 15HA of the SEBI Act. The argument is too farfetched to be accepted. Section 15J of the SEBI Act enumerates by way of illustration(s) the factors which the Adjudicating Officer should take into consideration for determining the quantum of penalty imposable. The imposition of penalty depends upon satisfaction of the substantive provisions as contained in Sections 15A to Section 15HA of the SEBI Act.” (Emphasis Supplied)

100. In view of the above, the legal position that emerges is that the parameters enumerated in section 15J of the SEBI Act are not required to be mandatorily satisfied before penalty can be imposed. The factors stipulated in section 15J are illustrative in nature and are required to be taken into account whenever such circumstances exist, while determining the quantum of penalty. Therefore, the said judgment does not support the proposition canvassed by the Noticees that penalty must necessarily be declined in the absence of quantified gain, investor loss or repetitive conduct. Further, as already discussed hereinabove, the order of the Hon’ble Supreme Court in *SEBI v. Sandip Ray & Ors.* reinforces that, under the present statutory framework, section 15HB prescribes a mandatory minimum penalty once liability is established.

101. In view of the foregoing, Noticees are liable for payment of a monetary penalty under section 15HB of the SEBI Act which is reproduced below:

“Penalty for contravention where no separate penalty has been provided. 15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”

102. The Noticees submitted that, in certain comparable matters, SEBI had imposed penalties ranging from Rs. 1,00,000/- to Rs. 2,00,000/- and that an illustrative list of such matters had been provided by them. It was also submitted that SEBI had, in



certain cases, imposed a consolidated penalty ranging from Rs. 50,000/- to Rs. 2,00,000/- for multiple violations and that an illustrative list of such matters had also been placed on record by them. However, upon perusal of the cases relied upon by the Noticees, it is noted that the facts of those matters are distinguishable from the present proceedings. None of the cases cited by the Noticees involved the issue of non-disclosure of an entity as part of the promoter group despite satisfaction of the statutory threshold, coupled with non-disclosure of its liquidation-related status. Further, the Noticees have failed to demonstrate as to how the facts of the said cases were comparable to the present matter so as to warrant their application.

103. While determining the quantum of penalty under section 15HB of the SEBI Act, the following factors stipulated in section 15J 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.”

104. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticees nor the amount of loss, if any, caused to an investor/clients as a result of the default of these Noticees. As regards the repetitive nature of the default, it is noted that following penalties were imposed/direction was issued against Noticee 4 by SEBI.

Table 1

Sr. No.	Case Name	Date of Order	Violation of provisions of	Penalty Imposed	Directions issued
1.	Stratmont Industries Limited	December 18, 2019	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011	Rs. 2,00,000/-	NA



Sr. No.	Case Name	Date of Order	Violation of provisions of	Penalty Imposed	Directions issued
2.	Gretex Corporate Services Limited	June 27, 2025	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Circulars	Rs. 20,00,000/-	NA
3.	Gretex Corporate Services Limited (Enquiry Proceedings)	October 30, 2025	MB Regulations	NA	Prohibited from taking up any new assignment or contract or launching a new scheme, in so far as maybe applicable to it as a SEBI Registered Merchant Banker, for a period of Twenty-One (21) days.
4.	Gretex Corporate Services Limited	January 13, 2026	ICDR Regulations, 2018, MB Regulations, SEBI Circulars	Rs. 15,00,000/-	NA

105. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

106. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and the factors mentioned in section 15J of the SEBI Act, I, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, hereby impose following penalty on the Noticees under section 15HB of the SEBI Act.

Table 2

Noticees	Penalty Amount
Noticee 1	Rs. 5,00,000/- (Rupees Five Lakh Only)
Noticee 2	Rs. 5,00,000/- (Rupees Five Lakh Only)
Noticee 3	(Joint and several)
Noticee 4	Rs. 8,00,000/- (Rupees Eight Lakh Only)

107. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticees.



108. 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.

109. 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 of Noticees.

110. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticees and also to SEBI.

JAI
SEBASTIAN

Digitally signed by JAI
SEBASTIAN
Date: 2026.10.27 16:10:09
+05'30'

Date: October 27, 2026

Place: Mumbai

JAI SEBASTIAN

ADJUDICATING OFFICER