QJA/SS/DDHS/DDHS-SEC-1/32686/2026-27

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

UNDER SECTION 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008

In respect of:

Noticee No.	Noticee Name	PAN	Registration Details / DIN
1.	Bonanza Portfolio Limited	AAACB0764B	INM000012306 (SEBI Registration No.)
2.	Satya Prakash Goel	AAIPG0607P	00355752
3.	Shiv Kumar Goel	AAGPG1963M	00355588
4.	Surendra Kumar Goel	ACGPG4875M	00824481
5.	Vishnu Kumar Aggarwal	AABPA6445L	00355471
6.	Anant Gupta	AIMPG7389Q	03270325
7.	Pradeep Kumar	ADEPK3024D	08475968

(hereinafter collectively known as Noticees or individually by their name/number)

Background

1. Bonanza Portfolio Limited (hereinafter referred to as *"BPL/ the Noticee No.1")* is registered as a merchant banker (Registration No. INM000012306) since September

30, 2016 with the Securities and Exchange Board of India ("SEBI"). It is also registered as a stock broker, depository participant, portfolio manager and research analyst. The case in hand relates to its activity as merchant banker.

2. SEBI had conducted an inspection of BPL for the period April 01, 2022 to April 30, 2024. Pursuant to the inspection, SEBI initiated proceedings against the Noticee 1 and its directors *viz* Noticees 2 to 7 under Regulation 23 of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as "the Intermediaries Regulations") read with Section 27 of the SEBI Act, 1992. An Officer of SEBI who was appointed as the Designated Authority ("**DA**") submitted a report ("**Report**") dated March 18, 2026 in accordance with the provisions of the Intermediaries Regulations recommending that the enquiry proceedings initiated against the Noticees be disposed of without any adverse action under Regulation 26(1) of the Intermediaries Regulations.

Show Cause Notice (SCN), Reply and Hearing.

3. As required under the Intermediaries Regulations, the instant proceedings commenced by issuance of a Show Cause Notice ("SCN") dated May 29, 2026 to Noticee 1 and a common SCN dated July 20, 2026 to Noticees 2 to 7.

4. After the issuance of the SCN dated July 20, 2026, SEBI was in receipt of a letter dated July 21, 2026 from Ms. Shalini Goel w/o Shri Satya Prakash Goel (Noticee 2) stating that the Noticee 2 has passed away on May 26, 2026 i.e. before the issuance of the SCN. A notarized death certificate dated June 4, 2026 was provided as evidence of this fact.

5. Noticee No.1 submitted its reply vide letter dated June 30, 2026 and also availed the opportunity of personal hearing on July 10, 2026 and filed additional submissions vide letter dated July 15, 2026. The Noticees 3 to 7 submitted their reply dated July 27, 2026 and also availed the opportunity of personal hearing on August 17, 2026 and filed additional submissions vide email dated August 19, 2026.

Noticees 3-7 in their reply have also informed that although Noticee 2 was the Principal Officer of the merchant banking division of Noticee No.1 he was not involved in its day to day working. All the Noticees were represented by Advocates Dr. Keyur Shah, and Meit Shah i/b Prakash Shah & Associates (authorized representatives/AR) who appeared on their behalf and made oral submissions in line with their replies.

Consideration of issues and findings.

A. Actio personalis moritur cum persona.

6. It is established that Noticee No.2 had died before the SCN could be issued to him. As per the established legal position in case of personal action, the proceedings will not survive to or against the representatives, and in such cases, the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply. For example:

(a) In the matter of ***Pyramid Saimira Theatre Limited*** order dated June 23, 2020 in similar circumstance wherein the Noticee had died, WTM-SEBI held that:

"14. I note that the Noticee has not filed his reply to the SCN. However, I note that vide email dated August 07, 2019 it has been informed to SEBI that the Noticee is deceased as on June 28, 2019 and a death certificate in this regard has been submitted.

15. In view of the above, I do not find it fit to go into the merits of the case against the Noticeee. Accordingly, the proceedings against the Noticee vide the SCN dated December 7, 2015 stands abated and the directions issued vide the interim order dated April 23, 2009 against the Noticee stands revoked."

(b) In another matter *viz* ***Bombay Dyeing & Manufacturing Company Limited,*** the WTM-SEBI, vide its order dated November 14, 2022, while disposing the representation informing about the death of the Noticee subsequent to the final order of SEBI, held that: -

> "4. *In accordance with the proviso to Section 28B (1) of the SEBI Act, 1992, since the death of the Noticee No.6 occurred during the imposition of penalty vide the Final Order, liability of legal heir (s) of the Noticee no. 6 to pay the penalty, is not attracted.*
>
> *5. Previously, in a similar situation in the matter of "Alleged Market Manipulation using GDR Issues by CAT Technologies Limited" wherein the death of the noticee was brought to the notice of SEBI after the passing of final order by SEBI, SEBI passed an order dated June 18, 2019 abating the prohibition imposed on the noticee by the final order.*
>
> *6. Upon consideration of the above, it is hereby clarified that the prohibition/ restraint imposed upon the Noticee no. 6 vide paragraph 53(ii) of the Final Order and the penalty imposed upon the Noticee no. 6 vide paragraph 53(iv) of the Final Order stand abated qua the Noticee no. 6."*

7. However, in the matter of ***Sahara India Commercial Corporation Ltd.*** SEBI, speaking through its Ex-WTM- Ms. Madhabi Puri Buch (who later became Chairperson of SEBI) in her order dated January 21st, 2020 took a different stand and had directed the 4 deceased Noticees through their respective legal representatives to ensure compliance of liability under Section 73(2) and 62(1) of the Companies Act, 1956. In Appeal No.601 of 2021 against the said order, Hon'ble Securities Appellate Tribunal (SAT), vide its order dated August 4, 2023, observed that since no proceedings were initiated against deceased Noticees during their lifetime, proceeding against the legal representatives could not be initiated or continued. Hon'ble SAT quashed the said order of Ex- WTM of SEBI and also

imposed a cost of Rs.5 lakhs which had to be paid by SEBI to the appellants within four weeks from the date of the said order.

8. SEBI had challenged the order of Hon'ble SAT before the Hon'ble Supreme Court of India wherein vide 'Record of Proceedings' dated October 13, 2023, Hon'ble Supreme Court passed order to issue notice and also stayed the Order of Hon'ble SAT '*to the extent it directs the payment of cost of Rs.5,00,000/ ..*' Thus, there is no stay on legal issue about liability of legal heirs for act of deceased persons before the show cause notice is issued to such deceased persons. Thus, the legal position settled as on date applies to the facts of this case.

9. Accordingly, in view of the above settled legal position, I do not deem fit to continue the proceedings *qua* Noticee 2 i.e. Satya Prakash Goel and accordingly, the proceedings against him stands abated.

B. Inspection not a punitive measure.

10. The other Noticees have raised certain technical objections. One such objection is the contention that the purpose of carrying out inspection is not punitive and not every irregularity or deficiency noticed during the course of inspection calls for initiation of penalty proceedings and has referred to certain case laws. In this regard, I note that the Hon'ble SAT in ***UPSE Securities Limited*** observed that for serious lapses, it would always be open to SEBI to take penal action in accordance with law. In the matter of ***DSE Financial Services,*** the Order of SEBI was set aside because the violations were found to be technical in nature. Further, in ***Religare Securities Limited***, the Hon'ble SAT observed that: "*This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent.*"

C. Directors not responsible for action by suspension /cancellation of certificate.

11. Noticees 3 to 7 have contended that the inspection is with regard to Noticee No.1, i.e. the merchant banker and to include the directors of the company is completely perverse and unwarranted, particularly in a proceeding arising solely from the inspection of the company for its merchant banking activities. The directors i.e. Noticees 3 to 7 have contested that the SCN/ enquiry report has not attributed any findings w.r.t the role of directors and vicarious liability cannot be automatically attributed to directors as company operates as a separate legal entity with perpetual succession, independent of its directors. Regulatory violations primarily rest with the company unless there is clear evidence of direct involvement, willful misconduct or negligence. They have further stated that the directors were not involved in the day to day operations of the merchant banking division, had no control over or knowledge of the day to day operations/ affairs and hence cannot be made vicariously liable.

12. The Noticees have placed reliance on certain orders / judgments to support their defense i.e. Order dated April 30, 1998 passed by the Hon'ble Supreme Court in the matter of *State of Haryana vs. Brij Lal Mittal and Others.,* Order dated December 1, 1982 in the matter of *Municipal Corporation of Delhi Vs. Ram Kishan Rohtagi and Others*, Order dated August 9, 2019 passed by the Hon'ble SAT in the matter of Sayanti Sen Vs SEBI (Appeal No. 163 of 2018).

13. The DA in his Report examined all material on record, submissions of the Noticees and first exonerated Noticees No.2-7 with finding that: *"in the absence of any evidence depicting the active involvement of Noticees 2-7, I find it difficult to hold Noticees 2-7 liable for the violations allegedly committed by Noticee 1"*.

14. Without necessarily agreeing with this finding, I am of the view that the instant proceedings are primarily contemplated *qua* Noticee No.1 since the actions contemplated under Section 12(3) of the SEBI Act are applicable to the certificate of

registration granted to the registered intermediary or other persons registered with SEBI under section 12 of the Act. Those actions are not directed against the directors or employees of the registered intermediary/ person. Section 27 of the SEBI Act provides that where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against accordingly. Here again, if action is contemplated for suspension or cancellation of certificate of registration only then such order will not be directed against the individual directors of a corporate merchant banker.

15. However, it may be noted that Regulation 26(1)(v) of the Intermediaries Regulations provides that Designated Authority may recommend action against the officer of the intermediary also. Since Section 27 of the SEBI Act permits liability of directors for acts of a corporate merchant banker, in addition to suspension or cancellation of certificate of registration of such stock broker, Regulation 26 of the Intermediaries Regulations clarifies such vicarious liability for penalty other than suspension or cancellation of certificate of registration of the registered stock broker. Thus, making directors of Noticee No.1 as Noticees in the instant proceedings is not perverse and unwarranted as contended by them. However, while applying the liability on directors under Section 27 of the SEBI Act, it should be established that the director concerned was responsible to the corporate intermediary for the conduct of its activity.

16. In this case, no such efforts have been made while charging Noticees No. 2-7. However, it is demonstrated by the Noticees No. 3-7 that Noticee 2 (since deceased) was the principal officer of the merchant banking division at the relevant times. It is noted that Noticee 2 was appointed as the Principal officer of the merchant banking division of Noticee No.1 pursuant to a Board Resolution dated May 5, 2023. Other

documents such as copy of report of merchant banker for half year ended September 2023 submitted to SEBI via email dated December 27, 2023, screenshot of SEBI SI Portal and gist of documents uploaded on SEBI's website on February 10, 2024 also demonstrate this fact. In my view, therefore, no liability could be fastened upon Noticees No. 3-7.

D. *Consideration of merits of the case.*

17. During the inspection period, Noticee No.1 had handled, as a merchant banker, the following two public issues of debt securities (NCD VII and NCD VIII) issued by the issuer viz Shakti Finance Limited (SFL):-

Type of Issue	**Issue Opening Date**	**Issue Closing Date**	**Size of the Issue (In INR crore)**
NCD-Public Issue	April 17, 2023	April 28, 2023	Base Issue Size for an amount up to ₹10,000 lakhs with an option to retain over-subscription for an amount up to ₹10,000 lakhs, aggregating an amount not exceeding ₹20,000 lakhs.
NCD-Public Issue	February 08, 2024	February 21, 2024	Base Issue Size for an amount up to ₹10,000 lakhs with an option to retain over-subscription for an amount up to ₹10,000 lakhs, aggregating an amount not exceeding ₹20,000 lakhs.

18. With respect to the issuance of NCD VII, draft prospectus was filed on March 28, 2023 and final prospectus was filed on April 20, 2023. With respect to the issuance of NCD VIII, the draft prospectus was filed on January 17, 2024 and final prospectus was filed on January 30, 2024.

19. Regulation 5(2) of SEBI (Issue of Listing of Non-Convertible Securities) Regulations, 2021 ("NCS Regulations") *inter alia* mandates that no issuer shall make a public issue of non-convertible securities (NCS), if as on the date of filing of draft offer document or offer document, the issuer is in default of payment of interest or repayment of principal amount in respect of NCS, if any, for a period of more than six months. In the instant case, the inspection observed that the Noticee No.1 did not conduct independent due diligence to verify whether the SFL had

defaulted in payment of interest or repayment of principal prior to filing of draft offer documents. Further, it had fabricated evidence and submitted untrue information. It was alleged that the Noticees had violated the provisions of Regulation 27(6) and Regulation 28(3) of the NCS Regulations, Regulation 13 read with Clauses 2, 3, 4 and 20 of Schedule III of MB Regulations and Clause 5.4 of Schedule III of Intermediaries Regulations. The same are reproduced herein below:

"…

Filing of draft offer document

27. (6) The lead manager shall, prior to filing of the offer document with the Registrar of Companies, furnish to the Board a due diligence certificate in the format as per Schedule III of these regulations.

…

Disclosures in the offer document

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

…"

Regulation 13 read with Clause 2, 3, 4 and 20 of Schedule III of MB Regulations reads as under:

"…

Code of conduct.

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

…

SCHEDULE III

CODE OF CONDUCT FOR MERCHANT BANKERS

2. A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.

3. A merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner.

4. A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

…

20. A merchant banker shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Board.

…"

Clause 5.4 of Schedule III of Intermediaries Regulations reads as under:

"…

5.4 An Intermediary shall co-operate with the Board, or any authority designated by the Board, as and when required and shall not make any untrue statement or suppress any

material fact in any documents, reports, papers or information furnished to the Board or neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence and papers or any part thereof as may be demanded/requested from time to time.
…"

20. Thus, it is necessary to first assess as to whether Noticee No.1 failed to observe its compliance obligations as alleged in inspection. With regard to Noticee No.1, the DA gave benefit of doubt as following: -

> *" I note from the material available on record that the due diligence by Noticee 1 in respect of the aforesaid 2 NCD issues included verifying the certificate and other supporting documents regarding repayment of principal/interest made by the company, verifying details from www.watchoutinvestors.com w.r.t. eligibility of the company, its directors, promoters etc and also from SEBI's web portal, verifying details from NSE website and NSDL website w.r.t. list of debarred entities and list of ISINs issuers defaulted in redemption payment and corporate announcements of the company from the BSE website for the relevant period. This has also been mentioned in the preliminary examination report dated August 29, 2004 carried out by the Internal Auditor of Noticee 1 at the advice of SEBI, in respect of its compliances of SEBI Regulations and Circulars for the period April 01, 2022 to April 30, 2024. The said examination report also referred to the Legal Report dated 10.04.2023 w.r.t. NCD VII and Legal Report dated 15.01.2024 w.r.t. NCD VIII issued by Ramani & Shanker, Advocates wherein they have stated that "…As on the date of the Issue of this Due Diligence Report, there has been no default in payment of principal or interest on any existing financing facilities or term loan or debt securities issued by the issuer in the past…" Thus I agree with the contention of the Noticee 1 that Corporate Announcements was only one of the documents relied in Due Diligence by Noticee 1. Further, from a perusal of the corporate announcements, it appears that these announcements do not indicate any announcement which would have had a bearing on the eligibility of the issuer company for making the NCD issues or which would indicate the status of the issuer company as a defaulter/non defaulter in repayment of principal/interest in respect of its loans. There is no allegation that the contents of the corporate announcements have been altered by Noticee 1. The allegation is that the mismatch in dates appearing in the header and the last page of the relevant corporate*

announcements is because of manipulation/fabrication. Noticee 1 has replied that the timestamp in the header represents the date of due diligence while the timestamp appearing on the last page is the date when the printout of the documents was taken. In my view, this issue may require a deeper technical level examination in terms of file attributes etc. in respect of the documents submitted by Noticee 1 to SEBI inspection team. <u>Based on the totality of the facts and circumstances of the case and the material available on record, it cannot be conclusively established that there was lack of due diligence/fabrication of documents and I am inclined to give benefit of doubt to Noticee 1 in this regard.”</u> (emphasis supplied)

21. According to the Noticees, except when circumstances of a case so justify, in making inquiries the merchant bankers attitude may be solicitous. Considering the professional role in the issue process, the merchant banker is expected not to passively disclose whatever is given to it by the issuer but to exercise reasonable diligence and find out everything which is worth finding and to ensure adequate, true and fair disclosures in the prospectus. They have conducted adequate independent due diligence with regard to the issuance of NCD VII and VIII and also to make sure that SFL had not defaulted in payment of interest or repayment of principal prior to filing of draft offer document w.r.t to these NCDs. With regard to the allegation on submission of fabricated evidence and untrue information to SEBI, Noticees have vehemently denied the allegation and stated the following: -

    a) The Noticee 1 had relied on multiple documents, certificates, information, independent search of various website, corporate announcements made by SFL on BSE, etc. and not solely on corporate announcements made by SFL on BSE website.

    b) During the due diligence process, they reviewed the corporate announcements made by SFL on BSE’s website. However, it did not retain all the screenshots of the BSE website at the time of accessing the said website. Only the link pertaining to the said corporate announcement was saved. However, during the inspection, when asked to furnish the documents, one of the employees directly clicked the link that was saved and submitted the PDF that was generated.

c) The PDF that was shared with SEBI was not fabricated nor was the same untrue information.

d) No adverse inference was drawn by SEBI w.r.t the corporate announcement of SFL nor against the Noticees w.r.t the said announcement for the period April 6, 2022 to January 9, 2023.

e) On perusal of time stamp as referred in the Enquiry Report/ enquiry proceedings, the date and time of the corporate announcement w.r.t NCD VII is March 25, 2023 at 02.31 p.m. i.e just before filing draft prospectus on March 28, 2023 when the due diligence was ongoing and w.r.t NCD VIII it is January 15, 2024 at 02.23 p.m. i.e. just before filing draft prospectus on January 17, 2024 when the due diligence was ongoing.

f) The time stamp pertains to the date when the documents were downloaded from the link. The said document was downloaded in order to submit the same to SEBI along with the other documents to SEBI.

g) On each page of the BSE corporate announcement the Header (mentioning date and time of perusal by Company's staff) and Footer (mentioning the Corporate Announcement URL, being BSE website) is constant. Further, the date and time printed on the last page of the corporate announcement refers to the date and time of activation of the link saved by the Company's staff for printing / saving the document. The content and font are constant with the default setting of BSE.

h) The difference in date and time on the last page of corporate announcements is because the corporate announcements were not downloaded on date of due diligence and instead the link was kept which was activated by one of the employee on the date when certain documents were sought by SEBI in their pre-inspection questionnaire.

i) The header time stamp and last page time stamp are one and the same since printout was taken on the same day. The pattern of header in each page that represents the date of due diligence carried out by staff and the last page time stamp that represents date of printing the document. As a result, in the corporate announcements header time stamp and last page time stamp were different since the date of printing of the document was different.

j) There was no material benefit derived by the company by allegedly fabricating the said documents.

k) The in-principle approval for the issuance of NCD VII and NCD VIII was received from BSE. Further, all compliance requirements along with detailed independent due diligence for verification that the issuer has not defaulted on payment of interest or principal were complied with and there was no adverse observation made by BSE or anyone in this regard.

l) Additionally, verifying and checking the corporate announcements was only one of the many methods followed by the Noticees to verify that the issuer had not defaulted in payment of interest or principal amount.

22. I find that Regulation 27(6) does not apply to the facts of this case as there is no allegation that the Noticee No.1 had not submitted the due diligence certificate in prescribed format prior to filing of the offer document with the Registrar of Companies. Clause 5.4 of the Schedule III of Intermediaries Regulations is not

attracted either for mainly two reasons. Firstly, SEBI, to date, has not notified the provisions of Regulation 16 and Schedule III of the Intermediaries Regulations as stated in Regulation 1(2) thereof. And second, there is no verifiable allegation regarding non -cooperation, etc. by the Noticees.

23. I find that there is no allegation that the contents of the corporate announcements of SFL have been fabricated. Admittedly, SFL, had vide its letters dated March 7, 2023 and February 8, 2024 with respect to NCD VII and NCD VIII, respectively unequivocally confirmed that there was no default in payment of interest and principal amount during the relevant periods. Indisputably, the Noticee No.1 carried out independent due diligence for both the NCD issues to ensure that the issuer/company has not defaulted on payment of interest or repayment of principal as following:

    a) Physical visit at SFL's office to check and verify the documents pertaining to issue of NCDs.

    b) Meeting with BSE officials on March 23, 2023.

    c) Verified certificate of interest payment / principal uploaded by company on BSE's website on monthly basis in compliance with Regulation 57(1) and on quarterly basis in compliance with Regulation 57(5) of NCS Regulations.

    d) Independently, verified certain details from www.watchoutinvestors.com w.r.t eligibility of the Company, its directors, promoters, etc., and also verified details from SEBI's web portal.

    e) Verified details from NSE and NSDL website w.r.t list of debarred entities and list of ISINs issuers defaulted in redemption payment.

f) Verified corporate announcements of the company on BSE website for relevant period.

g) In-principle approval was also received from BSE w.r.t issuance of NCD VII and VIII of SFL. This shows that all the compliances w.r.t issue of these NCDs were in order and Noticees had carried out appropriate due diligence.

24. In addition, the Noticees' internal auditor *viz* Parekh Shah & Lodha, Chartered Accountants in their Examination Report submitted to SEBI had observed the following: -

- no complaints received by Noticee No.1 with respect to debt issuances made during period of inspection i.e. April 1, 2022 to April 30, 2022.

- Bonanza has verified the eligibility criteria of SFL for issuance of NCD VII and VIII.

- Bonanza has obtained declaration / certificate from the compliance officer of the issuer i.e. SFL that they have not defaulted in payment of interest or repayment of interest. Further, the Examination Report also refers to interest certificates and / or redemption certificates submitted by SFL to the exchange.

- The Examination Report also refers to the Legal Report dated April 10, 2023 w.r.t NCD VII and Legal Report dated January 15, 2024 w.r.t NCD VIII issued by Ramani & Shanker, Advocates wherein they have stated that "*As on date of the Issue of this Due Diligence Report, there has been no default in payment of principal or interest on any existing financial facilities or term loan or debt securities issued by the issuer in the past….."*

25. Based on the material on record, I find that that due diligence by Noticee 1 in respect of the 2 NCDs included written confirmation from the SFL, verification of the certificate and other supporting documents regarding repayment of principal / interest made by it, verification of details from www.watchoutinvestors.com with regard to eligibility of the issuer, its directors, promoters, etc. and also from SEBI's web portal, verifying details from NSE website and NSDL website w.r.t. list of debarred entities and list of ISINs issuers defaulted in redemption payment and corporate announcements of the company from the BSE website for the relevant period. This has also been mentioned in the preliminary examination report dated August 29, 2024 carried out by the Internal Auditor of Noticee 1 at the advice of SEBI, in respect of its compliances of SEBI Regulations and Circulars for the period April 01, 2022 to April 30, 2024. The said examination report also referred to the Legal Report dated April 10, 2023 w.r.t. NCD VII and Legal Report dated January 15, 2024 w.r.t. NCD VIII issued by Ramani & Shanker, Advocates.

26. I agree with findings of the DA that the Corporate Announcements was only one of the documents relied during the due diligence exercise by Noticee 1 in the issuance of impugned NCDs of SFL. Further, these announcements do not indicate any announcement which would have had a bearing on the eligibility of the issuer company for making the NCD issues or which would indicate the status of the issuer company as a defaulter/non defaulter in repayment of principal/interest in respect of its loans.

27. There is no allegation that the contents of the corporate announcements have been altered by Noticee 1. The allegation is that the mismatch in dates appearing in the header and the last page of the relevant corporate announcements is because of manipulation/fabrication. Noticee 1 has claimed that the timestamp in the header represents the date of due diligence while the timestamp appearing on the last page is the date when the printout of the documents was taken. This anomaly may require

a deeper technical level examination in terms of file attributes etc. in respect of the documents submitted by Noticee 1 to SEBI inspection team.

28. Be that as it may, such mistake does not suggest any ulterior design on the part of the Noticee No.1 nor there is any allegation in that regard. The mismatch of date does not change the contents of the corporate announcement when it had been reviewed at several levels as found in this case. There is no dispute as to creditworthiness of the Noticee No.1 or the truth of the content of said corporate announcement. This technical issue in time stamping does not bring any mala fide on the part of the notice No.1. In this regard, the Hon'ble SAT in the case of ***Reliance Industries Limited v. SEBI*** has held that:

> "*The appellant can, at best, be held to have made a technical lapse. In such circumstances, the role of a regulator is to rehabilitate and bring to an end litigation, which may not cast a stigma on the appellant, who otherwise, admittedly, has maintained a good track record. The High Court in Cabot's case has pronounced that if a breach was merely technical and unintentional, it does not merit penal consequence. It ultimately depends on the facts of each case. In this case, the breach was bona fide and the appellant was under the impression since it had already made a disclosure earlier it was not necessary to make a fresh disclosure once again. This, in our view, is an error of judgment and, at best, an error of understanding the law. Ignorance of law is no excuse but an erroneous interpretation is a mitigating factor especially if such interpretation is honest and bona fide to the knowledge of the appellant. Following the judgment in Cabot International and for the reasons stated herein, we hold that the breach cannot be called as deliberate and the non-disclosure was due to lack of understanding of the law. In that view of the matter, the impugned order is set aside.*"

29. Hon'ble Supreme Court in the ***Hindustan Steel*** Case held that:

"Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute. Those in charge of the affairs of the Company in failing to register the Company as a dealer acted in the honest and genuine belief that the Company was not a dealer. Granting that they erred, no case for imposing penalty was made out."

30. Hon'ble SAT in the case of ***DSE Financial Services Ltd v. SEBI***, while dealing with the allegations of certain deficiencies with regard to manipulation of certain records maintained by the stock broker, observed:

"As per the observations made by the Adjudicating Officer himself, the violations committed by the appellant are mostly technical in nature; some of them are solitary instances and for others the appellant has mostly taken/ initiated corrective measures. In view of this, we are of the view that the adjudicating officer was not justified in taking punitive action."

31. But as regards, the due diligence exercise all other material do not bring out anything adverse against the Noticee no.1 as found by the DA in his Report. Here, I also deem it necessary to point out the standard of *'due diligence'* expected from a merchant banker as settled by Hon'ble SAT and Hon'ble Supreme Court of India in several cases which are relevant for determining the due care and diligence under regulation 13 read with the stipulated code of conduct also. It is noted that the Hon'ble SAT, in the matter of ***Imperial Corporate Finance and Services Private Limited Vs. SEBI [2005] 61 SCL 197 (SAT)*** has held that:-

"It can be safely said that lack of due diligence should run from the facts of each case and ultimately there can be no hard and fast rule as to what constitutes lack

of due diligence. It depends entirely on the facts of each case. We however hold that before any person is found to have violated the concept of "due diligence", there must be an enquiry and the finding must be sustained by a higher degree of proof than that required in a civil suit, yet falling short of the proof required to sustain a conviction in a criminal prosecution. There must be convincing preponderance of evidence (see AIR 1984 SC 110). A Lead Manager is required to employ reasonable skill and care but he is not required to begin with suspicion and to proceed in a manner of trying to detect a fraud or lie unless such information excites his suspicion or ought to excite his suspicion as a professional man of reasonable competence."

32. Further, Hon'ble Supreme Court of India, in the matter of ***Chander Kanta Bansal V. Rajinder Singh Anand MANU/SC/7310/2008: (2008) 5 SCC 117*** has held as under:

    "*The words "due diligence" have not been defined in the Code of Civil Procedure, 1908. According to Oxford Dictionary (Edn. 2006), the word "diligence" means careful and persistent application or effort. "Diligent" means careful and steady in application to one's work and duties, showing care and effort. As per Black's law Dictionary (18th Edn), "Due Diligence" means the diligence reasonably expected from, and ordinarily exercised by, a person who seeks to satisfy a legal requirement or to discharge an obligation. According to Words and Pharses by Drain-Dyspnea (Permanent Edn. 13-A) "due diligence", in law, means doing everything reasonable, not everything possible. "Due Diligence" means reasonable diligence; it means such diligence as a prudent man would exercise in the conduct of his own affairs."*

33. In the matter of ***Keynote Corporate Services Ltd. Vs SEBI (order dated February 19, 2014)*** Hon'ble SAT has held as following: -

    "..Due diligence on part of Merchant Banker does not mean passively reporting whatever is reported to it but to find out everything that is worth finding out. It is

about making an active effort to find out material developments that would affect interest of investors. It is on faith that intermediary has conducted due diligence with utmost sincerity that investing public goes forward and decides to invest in a particular company.….”

34. In the abovementioned ***Keynote Corporate Services Ltd***. case, Hon'ble SAT has laid down further principles regarding the role of a merchant banker in the issue process as under:

“...As a matter of fact he is responsible for adequacy and veracity of all disclosures in all documents pertaining to issue of IPO, since as BRLM / Merchant Banker solemn duties are cast on him and for justifying the same he has to play a pro-active role by looking into authenticity of various matters/disclosures/statements, etc. contained in prospectus;....... BRLM has to bring out documents pertaining to IPO so that investors can take judicious and informed decisions on subscription to IPO and thus he is responsible for failing investor’s trust in prospectus of ESL for IPO and for doing considerable higher damage to securities market………

...... this Tribunal expects better standards of performance from professionals, who charge reasonably good fee from clients and who bring out documents (prospectus in this case), which are relied on by investors, at large, to take informed decisions regarding investments in scrips / IPO and this standard of professionalism should be higher than a reasonable man with ordinary prudence will demonstrate in the matter of due diligence.......

...... ensuring the truth and correctness of the letter of offer is a fundamental responsibility of the merchant banker which he has to discharge by exercising due diligence. In fact, an incorrect or wrong information in a letter of offer or other similar documents issued for the benefit of investors in general could lead to serious consequences including loss of credibility for the market operators and

for the regulatory system. This kind of failure has to be taken very seriously by the market regulator..."

35. From the above position pronounced by Hon'ble SAT and Hon'ble Supreme Court, I note that the standard of due diligence expected from the merchant banker is of reasonable diligence and it depends upon the facts and circumstances of each case. Such obligation has to be inquired into on the basis of higher degree of probability taking into account the facts and circumstances of the case. The due diligence is to ensure correct disclosure at the same time it can't be expected from a merchant banker to doubt and suspect the information that are supplied by the issuer and also disclosed in public domain and reviewed by other experts. It is settled position that SEBI is an expert body for securities market. It writes regulations, interprets them and enforces by penalizing the defaulters. The inspection team, thus, was in better position rather under obligation to point out as to what other documents, any other merchant banker with better *'reasonable prudence'* could examine and verify which Noticee No.1 did not do in this case. The Inspection has not brought out any such observation to demonstrate the degree of negligence, if any, on the part of the Noticee No.1. Further, for invoking penalty provisions there must be convincing preponderance of probability to support the allegation.

36. Further, it cannot be overemphasized to expect from the merchant banker to suspect each and every information received by it and adopt detective approach in verifying the authenticity of the information received by it and proceed with a notion that there is amiss. It is noted that the inspection report is silent as to how the Noticee 1 has failed the reasonable diligence test in the facts and circumstances of this case. Besides, no standard bench mark of due skill and diligence has been specified. This is also not a case where the information given by the issuer has been a concern at the time of issue and listing of NCDs or even thereafter.

37. Since the failure is linked to penal consequences, one must look into it in a realistic manner the consequences arising out of the failure and not be guided merely based

on suspicion. Inspection observations in this case are based purely on suspicion. The power to interpret law and assess facts for choice to initiate action after inspection requires exercise of power balanced with commensurate accountability and responsibility. The inspection observation lacks this aspect. On the other hand, the Noticees had demonstrated on the basis of preponderance of probability that it not only relied upon the declaration and confirmation of the SFL, but also verified the veracity of the declaration/confirmation submitted by the issuer from the public disclosures, discussions with directors, verification report of expert. During the present proceedings the Noticee 1 has also provided the list of certificates of interest payment / principal uploaded by the company on BSE's website. They have also confirmed that till date, they have not received any complaint w.r.t issuance of NCD VII and NCD VIII of SFL. Further, they were also the merchant banker for subsequent issues of SFL i.e. for NCDs IX, X and XI for which no adverse observations have been made by BSE or anyone else and BSE has also granted in-principle listing and trading approvals for these issues.

38. When the true information is forthcoming from the issuer/ its directors, available in public domain and also reviewed by regulators/stock exchange, as in this case, the professional conscience of any merchant banker with reasonable prudence may tend to quell a quam to get rid of any doubt about whether something he is doing is right.

39. Considering the totality of the facts and circumstances as found by the DA and demonstrated by the Noticees, I agree with the recommendations of the DA.

Order.

40. In view of above, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act, 1992 read with Regulation 27(5) of the Intermediaries Regulations, hereby dispose of the proceedings initiated against the Noticees without issuance of order/ direction against the Noticee No.1 and Noticees No. 3-7. The proceedings *qua* Noticee No.2 abated on account of his death before the issuance of the SCN.

41. This Order shall come into force with immediate effect.

42. A copy of this Order shall be served upon the Noticees.

SANTOSHKUMAR SHUKLA

Digitally signed by SANTOSHKUMAR SHUKLA
Date: 2026.08.28 12:36:04 +05'30'

SANTOSH SHUKLA

Date: August 28, 2026 **QUASI JUDICIAL AUTHORITY**

Place: Mumbai **SECURITIES AND EXCHANGE BOARD OF INDIA**