

WTM/AB/IVD/ID19/12261/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

Under Sections 11(1), 11(4), 11(4A), 11A, 11B(1), 11B(2) and 15I of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Sections 12A(1), 12A(2) and 23I of Securities Contracts (Regulations) Act, 1956 read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.

Noticee No.	Name of Noticees	PAN
1.	M/s. Inter Globe Finance Limited	AAACI5520N
2.	Mr. Navin Jain	ABKPT1935G
3.	Mr. Pritam Kumar Choudhary	ACTPC3216H
4.	Ms Seema Gupta	ADWPG0125H
5.	Mr. Anirban Dutta	AEEPD2296M
6.	Mr. Vikash Kedia	AFUPK1451N

(Aforesaid entities are hereinafter individually referred to by their respective name or noticee number and collectively as “the Noticees”).

In the matter of *Inter Globe Finance Limited*

1. The present proceeding emanates from a show cause notice dated August 20, 2020 and corrigendum dated September 2, 2020 to the show cause notice dated August 20, 2020 (hereinafter the show cause notice and the corrigendum, being collectively referred to as “**SCN**”) issued by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to the Noticees asking them to show cause as to why suitable directions should not be issued and/or penalty not be imposed, as

deemed fit under Sections 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) read with Section 15HA and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”), Section 12A(1) and 12A(2) read with Section 23E and 23H of Securities Contracts (Regulations) Act, 1956 (hereinafter referred to as “**SCRA, 1956**”) against them. The SCN, *inter alia*, alleged that Inter Globe Finance Limited (hereinafter also referred to as “**IGFL**” / “**the Company**”) and its directors i.e. Noticee no. 2 to 6, have failed to present true and fair financial statements of IGFL and had executed transactions which are non-genuine in nature tantamounting to misrepresentation of the accounts/ financials statement and misuse of funds of the Company and such acts were found to be fraudulent in nature as they induced the investors to trade in the securities of the Company and had the potential to mislead the investors. It was also alleged that the directors of IGFL had failed to exercise duty of care, and failed to discharge their fiduciary responsibility. In view of the above, the SCN alleged that the Company (Noticee no. 1) and its directors (Noticee no. 2 to 6) have violated Sections 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and Regulations 4(1), 4(2) (f) & (r) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulation, 2003**”), Regulations 4(2)(f)(ii)(6) & (7), 4(2)(f)(iii)(3),(6) & (12), Regulation 33(1)(d) and Regulation 30(6) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “**LODR Regulations**”) read with Section 21 of SCRA, 1956.

2. The brief facts of the case, the brief findings of the investigation and the allegations levelled against the Noticees, as mentioned in the SCN are as follows:

- 2.1. SEBI passed an interim order on March 01, 2018, *inter-alia*, permitting the promoters and the directors (Noticee no. 2 to 6) of IGFL to only buy the securities of IGFL and restraining them from selling any of securities held by them. Further,

vide the said interim order, the stock exchange (BSE) was directed to appoint an independent forensic auditor to, *inter-alia*, further verify:

2.1.1. Misrepresentation including of financials and/or business of IGFL, if any;

2.1.2. Misuse of the funds/books of accounts of IGFL, if any.

2.2. The forensic audit report was submitted to SEBI by the stock exchange on September 11, 2019 and the findings of the forensic audit report from the period April 01, 2015 till March 31, 2018 were examined.

2.3. The investigation, *inter-alia*, revealed the following:

I. **Misrepresentation including of financials and misuse of funds/ books of accounts:**

2.3.1. The Company has paid huge amount of funds amounting to Rs 34.64 lakhs in cash to M/s Kashiram Jain & Co. for acquisition of shares of 6 companies (Inter Globe Projects Ltd., Inter Globe Realty Ventures Ltd., Inter Globe Tradex and Services Ltd, Inter Globe Medical College & Hospital Ltd., Inter Globe Engitech India Ltd. and Inter Globe Realtors Projects India Ltd) thereby raising concerns over the genuinity of business transactions carried out by the Company and also indicating that the Company has not followed good governance practices by carrying out such huge amount of transactions in cash.

2.3.2. The disposal of shareholding by IGFL in 6 investee companies i.e. Inter Globe Projects Ltd., Inter Globe Realty Ventures Ltd., Inter Globe Tradex and Services Ltd, Inter Globe Medical College & Hospital Ltd., Inter Globe Engitech India Ltd. and Inter Globe Realtors Projects India Ltd. (hereinafter the six companies collectively referred to as '**Investee Companies**'), at a loss of Rs 5.47 lakhs (sale price of Rs 29.17 lakhs, cost Rs 34.64 lakhs) indicates that IGFL has not carried out proper and necessary due diligence of the

fundamentals and performance of the 6 investee companies before acquisition of shares in these companies.

2.3.3. The absence of any prudent economic and business rationale, behind sale and repurchase of shares amounting to Rs 10.28 crores by IGFL to/from its subsidiary i.e. M/s Inter Globe Tradex & Services Ltd. and subsequent closing of the said subsidiary, indicates that the transaction was merely carried out by IGFL to facilitate accommodation entries/circulation of funds, thereby leading to misuse of funds of the Company.

2.3.4. The fact that 44 companies are operating from the same registered office address as that of IGFL, raises doubts over the operations of the company

2.3.5. The SCN alleges that these irregularities tantamount to misrepresentation of financials/misuse of funds/ books of accounts of the Company and has misled existing and prospective investors.

II. Violation of SEBI Listing Obligations and Disclosure Requirements Regulations, 2015 (LODR Regulations):

2.3.6. IGFL has violated Regulation 33(1)(d) of Chapter IV of SEBI LODR Regulations, 2015 as the auditor of the company has not subjected himself to the peer review process of Institute of Chartered Accountants of India and does not hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India (ICAI).

2.3.7. IGFL has violated Regulation 30(6) of SEBI LODR Regulations, by not disclosing to the stock exchange about its acquisition of shares in 6 companies (Inter Globe Projects Ltd., Inter Globe Realty Ventures Ltd., Inter Globe Tradex and Services Ltd, Inter Globe Medical College & Hospital Ltd., Inter Globe Engitech India Ltd. and Inter Globe Realtors Projects India Ltd), within twenty four hours of such acquisition as the disclosure was made by

the Company to the stock exchange only on September 01, 2016 whereas the obligation for purchase was discharged by the Company on November 13, 2015 and February 06, 2016.

2.4. The SCN alleges that the Company (Noticee no.1) had failed to present true and fair financial statements and had executed transactions which are non-genuine in nature thereby tantamounting to misrepresentation of the accounts/ financial statements and misuse of accounts/funds of the Company. It is further alleged that IGFL had misused funds/ misrepresented books of accounts which are detrimental to the interests of genuine investors and are fraudulent in nature.

2.5. The SCN further alleges that the directors of the Company (Noticee no. 2 to 6) have failed to exercise duty of care by misrepresenting the financial statements /misusing the funds of the Company. It is also alleged that the directors and the of the Company have failed to discharge their fiduciary responsibility.

2.6. In view of the above, the SCN alleged that the Company and its directors (Noticee no. 2 to 6) have violated Sections 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and Regulations 4(1), 4(2) (f) & (r) of the PFUTP Regulation, 2003, Regulations 4(2)(f)(ii)(6) & (7), 4(2)(f)(iii)(3),(6) & (12), Regulation 33(1)(d) and Regulation 30(6) of LODR Regulations read with Section 21 of SCRA, 1956.

3. I note that Noticee no. 3 and 6 have filed a combined reply dated December 25, 2020 to the SCN. I also note that Noticee no. 1, 2, 4 and 5 have filed a combined merit based reply dated December 24, 2020. The Noticees were granted an opportunity of personal hearing on December 28, 2020, on which date the Advocates appearing on behalf of the Noticees were heard. Subsequent to the personal hearing, Noticee no. 1, 2, 4 and 5 have filed written submission dated January 12, 2021.

4. Noticee no. 1, 2, 4 and 5, vide their combined merit based reply dated December 24, 2020 and written submissions dated January 12, 2021, have raised the following key contentions to the allegations levelled by the SCN:

Allegation (I)(i): IGFL's acquisition of the shares of the Investee Companies by means of a cash transaction with M/s Kashiram Jain & Co., amounting to Rs. 34.64 lakhs raises concern over genuineness and is not good governance practice.

4.1. It is our submission that this allegation is generic and unsubstantiated. There is a logical and genuine trail of entries that follows this transaction. The investments via bank withdrawal have been properly recorded in our books under non-current investments in the annual accounts of FY 2015-2016. IGFL is not a fly by night company—it is also a public listed company fully functioning.

4.2. In addition, it has also been properly recorded in the books of M/s Kashiram Jain & Co in its annual audited accounts for the financial year 2015-16 filed by them with BSE. M/s Kashiram Jain & Co has also issued a proper receipt for the cash received by IGFL. It is pertinent to note that M/s Kashiram Jain & Co is not a fly-by-night company in any manner. It is also a BSE public listed company. Details of the recording of this transaction in M/s Kashiram Jain & Co's books of accounts can be found at paragraph 17 of the Reply.

4.3. The amount of Rs. 34.64 lakhs might seem large but it was the total amount invested into the 6 different investee companies. Therefore, investment into each investee company was not a large sum whatsoever. The details of the amounts invested into each of these Investee Companies are reiterated as follows and can also be found at paragraph 15 of the Reply.

Table No. 4				
Sl. No.	Date	Break-up of the amount used for purchase of shares of	Name of the Investee Company whose shares were purchased	Underlying Evidence

		relevant Investee Company		
1.	November 13, 2015	Rs. 4,94,000	IGPL (purchase on November 13, 2015)	Extract of the bank statement of Karnataka Bank showing the necessary withdrawals via cheque number 545484 from the bank account no 4347000300086901 is enclosed as <u>Annexure – “5”</u> .
		Rs. 4,94,000	IGEIL (purchase on November 14, 2015)	
		Rs. 4,94,000	IGTSL (purchase on November 14, 2015)	
		Rs. 4,94,000	IGMCHL (purchase on November 17, 2015)	
2.	February 6, 2016	Rs. 4,94,000	IGRPL (purchase on February 9, 2016)	Extract of the bank statement of Karnataka Bank showing the necessary withdrawals via cheque number 587581 from the OD bank account no 4347000300086901 is enclosed as <u>Annexure – “6”</u>
		Rs. 9,94,000	IGRVL (purchase on February 10, 2016)	

4.4. The amount paid by IGFL, i.e. Rs 34.64 Lakhs, was properly recorded in books of accounts and reflected as 'Non-Current investments' in the annual accounts of FY 2015-16. The recording of the transaction is as per normal accounting procedure prescribed in 'AS-13. Accounting for Investments' issued by the Institute of Chartered Accountants of India.

4.5. The Forensic Audit Report relies on Clause 2.2 of the Share Purchase Agreement dated November 6, 2015 entered with the seller to suggest that as per the said Share Purchase Agreement, the payment was to be made to the seller through bank transfer and since IGFL made payment by cash, the transaction is 'suspicious'. Such a reasoning is incorrect and arbitrary. More-so since, the seller M/s Kashiram Jain & Co, a listed company on BSE, had issued proper Receipts evidencing payment of the requisite amount by IGFL. In fact, these payments are duly reflected in the annual audited accounts of M/s Kashiram Jain & Co for the financial year 2015-16 filed by them with BSE. Form AOC – 1 filed by the seller

for FY 2015-16, statement of accounts of the seller (duly stamped) the receipts of the amount paid by IGFL along-with Cash Flow statement for the year 2015-16 and Schedule of Investments. Correspondingly, the annual accounts of IGFL has also duly reflects these payments acquisition of the shares. The purchase of shares of Investee Companies is also duly reflected in the Shareholders Register and Share Transfer Register of those companies.

4.6. Merely because such a transaction was done by means of cash cannot be grounds to doubt its genuineness. Its genuineness is further supported by the fact that it was properly recorded and disclosed in the books of both IGFL and M/s Kashiram Jain & Co and that it corresponds perfectly with another.

4.7. It is pertinent to note that decisions were taken in the commercial wisdom and were informed decisions. These were taken keeping the best interests of IGFL and its shareholders in mind. It is a well settled principle of law that courts will not interfere in commercial decisions or substitute their own notions of what is sound business judgment in decisions. Courts cannot go into merits of commercial decisions since they are not considered to have expertise in the commercial decision-making for a particular enterprise. This principle is also well-established in the United States of America and the United Kingdom where it is referred to as the business judgment rule and is used in cases of ascertaining liability of corporations and directors. It has now evolved to be a general common law doctrine.

4.8. The Noticees submit that the payment for acquisition of shares from M/s Kashiram Jain & Co was in the FY 2015-16. During the relevant time there was no restriction in undertaking cash transactions in terms of the Income Tax Act, 1961. It was only in the subsequent financial year (i.e. from FY 2017-2018) certain limits were prescribed by the government of India on certain cash transactions. In other words, prior to April 1, 2017, there was no restriction on cash payments/receipts. Hence, we submit that the purchase of shares of Investee Companies was

undertaken in due compliance of the IT Act as well as the applicable securities laws.

4.9. Further, as per RBI master circular dated July 1, 2014 (no. RBI/2014-15/92), all banks are required to maintain & report cash transactions beyond a limit of Rs. ten (10) lakhs to the RBI in the form of Cash Transaction Report and all suspicious transactions are to be reported in the Suspicious Transaction Report if they felt that such transaction was suspicious or there was something amiss. Although Karnataka Bank has included the withdrawal of cash made by IGFL for payment of consideration to M/s Kashiram Jain & Co in the Cash Transaction Report, the same was not treated as 'suspicious' transaction, and rightly so, by the relevant team of the bank.

Allegation I(ii): the disposal of shareholding in the 6 Investee Companies at a loss of 5.47 lakhs indicates that IGFL did not carry out due diligence before acquisition

4.10. It is further alleged in the SCN that disposal of six Investee Companies at a loss of Rs. 5.47 lakhs (sale price of Rs. 29.17 lakhs against cost price of Rs. 34.64 lakhs) indicates that IGFL has not carried out due diligence while acquisition of shares. Such an allegation is contrary to the facts on record and wholly unsubstantiated. More-so, because: (i) adequate due diligence was undertaken by the Board at all stages of acquisition; and (ii) there was no loss on sale of Investee Company and Rs. 5.47 lakhs was the business expense for operations of the Investee Companies.

4.11. At the relevant time, the net-worth of IGFL was around Rs. 92.8 cores. The investment in Investee Companies was for Rs. 34.64 lakhs, which constitutes merely 0.36% of overall net-worth of IGFL. Thus, of all the investment decisions taken by IGFL, the impact of this particular acquisition of the Investee Companies was relatively less. Regardless, IGFL took the decision only after carrying out proper and adequate due diligence of the Investee Companies which also

included several telephonic and physical meetings with the M/s Kashiram Jain & Co and after having satisfied itself of the commercial benefits of the acquisition.

- 4.12. The Noticee's had appointed a company law consulting firm viz, M/s Ranay Goswami & Co. which conducted a thorough due diligence of the Investee Companies.
- 4.13. The Forensic Audit Report observes that the due diligence report (of Ranay Goswami & Co.) contains information from the public domain only, which is plainly incorrect. To illustrate, the said reports contain details of income tax returns of the Investee Companies, which are not available anywhere in the public domain. The Noticees had given a specific mandate to M/s Ranay Goswami & Co. to enquire into all the liabilities of the Investee Companies so as to not be surprised by any hidden liabilities after the acquisition of the Investee Companies. The information provided by the seller to Ranay Goswami & Co. was verified and checked with the information available in the public domain to the extent that it was available before the proposed acquisition
- 4.14. In accordance with Section 179 of the Companies Act, the IGFL board (on November 6, 2015) decided that it is prudent to diversify operations as well as risks and hence funds be invested in the Investee Companies. The purpose of the investment was to diversify IGFL's operations as well as risks since the lending operations in FY 2014-15 were not very conducive. The Board of Directors of IGFL in its Management Discussion & Analysis Report contained in the Annual Report for FY 2014-15 had already conveyed to its shareholders about its cautious approach towards lending in order to avoid non-performing assets. Therefore, in the meeting of the Board of Directors held on November 6, 2015, the Board decided to invest in the Investee Companies as it was confident that the 6 companies (even though small in size/ operation) would help IGFL in achieving its long-term objective of diversification/ growth. The investment was also undertaken

on the basis of various deliberations by the management, which is also a recorded and documented fact.

- 4.15. At the time of acquisition of the Investee Companies, IGFL wanted to explore investment opportunities in real sectors of the economy. However, subsequently, the Managing Director S.K. Jain's health took a turn for the worse. In addition, it is also pertinent to note at this point that it was Mr. S.K. Jain who had been instrumental in leading plans for exploring investment opportunities in these sectors.
- 4.16. Due to on-going health issues of the Managing Director Mr. S.K. Jain, the Audit Committee of IGFL suggested that it was not the right time to diversify and instead suggested that IGFL focus on its core operations. On 7th August 2017, the Board of the Investee Companies met and decided to wind up and strike-off the Investee Companies. An extra-ordinary general meeting was held on 30th August 2017 to obtain shareholder approval for the winding up of Investee Companies. All necessary formalities were initiated with the Registrar of Companies for striking-off the Investee Companies and the STK-2 Challan was issued on 12th September 2017. Eventually Mr. Jain passed away due to ill-health in February - 2018
- 4.17. Generally, on the winding up of a company, all the assets in the books of a subsidiary company—in whatever form they might be in—are transferred to the subsidiary owner. IGFL's and its subsidiaries case was no different. Accordingly, assets amounting to Rs. 29.18 lakhs of all Investee Companies were transferred to IGFL's books. The difference between the amount invested, i.e. Rs. 34.64 lakhs, and amount recovered, i.e. Rs. 29.18 lakhs, is Rs. 5.47 lakhs. This Rs. 5.47 lakhs was the amount spent during FY 2015-16 to FY 2017-18 on the Investee Companies primarily on account of ROC & other statutory filing expenses apart from normal business expenses. Certain amount was also paid to Government

agencies & towards other sundry petty expenses. This was the “loss” alleged by the SCN. However, in view of above, it can be seen that it was merely the regular business expenses and not in any way contentious.

- 4.18. In fact, the independent forensic auditors appointed by the Independent Directors of IGFL by the name of M/S JLN US & Co., which are also SEBI & NSE empanelled auditors, thoroughly scrutinised the records to arrive at the amount of Rs. 5.47 lakhs.
- 4.19. Further, the Forensic Audit Report (@page 17 under para 9) makes a passing mention that due diligence was not conducted by IGFL since the Investee Companies were sold within period of four (4) months. Such a stand is incorrect since the Investee Companies were sold after a period of twenty (20) months and not four (4) months. Based on this misunderstanding the Forensic Auditor’s arrived at incorrect conclusion of Board of Directors being non-diligent.
- 4.20. In view of the above, it is submitted that the allegation that there was not adequate due diligence—particularly in light of the external M/s Ranay Goswami’s opinion—following the investment and its disposal is baseless and erroneous.
- 4.21. The Forensic Audit Report alleges that IGFL was not ‘diligent’ in investing in the Investee Companies. It is submitted that, as part of its business operations, the Board makes various investments decisions. Some of these result in profit and some result loss. Merely incurring a loss, especially a loss due to regular business expenses, which in the context of IGFL is relatively nominal, cannot be the basis to level an allegation that the Board is not diligent. The law on what is considered as ‘due diligence’ has been clarified by the Supreme Court of India in the case of **Chander Kant Bansal** [(2008) 5 SCC 117]. 27. In addition, it is submitted that the decision to invest or dispose of the shareholding were decisions taken exercising commercial wisdom and business judgment of IGFL and its Board of Directors. It

is, therefore, submitted that courts should not go into the merits of these decisions or substitute their own judgment in these decisions.

Allegation I(iii): there is no economic and business rationale behind the sale and repurchase of shares amounting to Rs. 10.28 Crores by IGFL to/from its subsidiary

- 4.22. It is submitted that this allegation has no basis and has not been substantiated either in the Forensic Audit Report or in the SCN. The brief chronology of events that led to the sale and repurchases of shares of IGOL and IGRL, to M/s Inter Globe Tradex & Services Ltd (subsidiary) is as follows.
- 4.23. On 4th April 2015, the Board of Directors of IGFL decided to reduce volatility in share business by reducing the shareholding portfolio and focusing on trading portfolio in a board meeting. In order to focus on the core business area, the Board thought it prudent to “reduce business volatility by reducing share transactions” in a meeting held on 5th April 2016.
- 4.24. Consequently, on 12th November 2016, the IGFL Audit Committee reviewed and approved the sale of investments in IGOL and IGRL to M/s Inter Globe Tradex & Services Ltd.
- 4.25. On 28th November 2016, the Board of IGFL decided to transfer its investments in IGOL and IGRL to M/s Inter Globe Tradex & Services Ltd. Shareholders of IGFL were informed by way of a BSE announcement dated 28th November 2016. On November 30th, the shares of IGOL and IGRL were sold to M/s Inter Globe Tradex & Services Ltd for Rs. 10.25 crore and properly reflected in the books of account. The break-up is as follows:

IGRL= 62,650 shares * Rs. 125/share = Rs. 78,31,250

IGOL= 4,80,600 * Rs. 197/share = Rs. 9,46,78,200

4.26. IGFL also submitted a Chartered Accountant's certificate which stated that the necessary procedure and process as required for the sale of shares to M/s Inter Globe Tradex & Services Ltd. had been carried out in good faith.

4.27. The reasons IGFL had decided to focus on core business operations rather than diversify have already been set out above. The business rationale, therefore, is abundantly clear behind this decision. The decision to transfer shares of IGOL and IGRL to their own subsidiary rather than outside of their Investee Companies was taken with the intention of not impacting the overall revenue of IGFL and its shareholders. The decision was taken by the Board in its prudence without any economic detriment to the shareholders of IGFL and, in fact, only for the benefit of IGFL and its shareholders. The rationale was also shared with shareholders in the annual report of 2016-17 which states as follows:

“The Business strategy of reducing Equity investments and focusing on core loan activity helped company deliver robust numbers. The summary of our financial performance is as follows:

Our Interest Income stood at Rs. 666 lakhs.

Profit after tax increased to Rs. 156.60 lakhs in 2016-17 against Rs. 27.37 lakhs in 2015-16.

Earnings per share (EPD) stood at Rs. 2.30 in the current year against Rs. 0.40 in 2015-16.”

4.28. The rise in profits of the Company by nearly 5 times itself shows successful implementation of the overall business strategy & hence satisfying the economic and business rationale as well.

4.29. In addition, even the Forensic Audit Report in respect to this allegation opines that “the transaction of sale and re-purchase seems to fulfil all the legal requirements”. Despite this, the SCN alleges that the transaction seems to be more in the nature

of circulation of funds/accommodation entries. However, no such alleged particular accommodative entries or evidence of alleged circulation of funds have been pointed out in the entire SCN as well as the Forensic Audit Report.

- 4.30. Subsequent to the Forensic Audit report, these transactions were scrutinised by Income tax department & an assessment order was passed by two different assessing officer where they have considered the purchase and sale transaction between IGFL & M/s Inter Globe Tradex & Services Ltd as genuine. It is respectfully submitted that income tax department is the primary department that review and scrutinizes such transaction did not find anything amiss or illegal in the transaction. In hindsight, for the Forensic Auditor to consider the same as non-genuine and that too without any evidentiary proof is arbitrary and illegal.

Allegation I(iv): there are allegedly 44 companies are operating from the same registered address as IGFL which raises doubts over operation of IGFL .

- 4.31. It is submitted that this allegation that 44 companies are operating from the same registered office as IGFL has no substantiated basis in whatsoever. The allegation has been made in the SCN and Forensic Audit Report by relying on a non-official and random website called 'Zauba'. No official records have been relied on and instead of relying on the records of the Ministry of Corporate Affairs (MCA), a fly-by-night website is being relied on. Such records are not in any way official records. This allegation is, therefore, absolutely factually incorrect and does not require any warrant any further argument whatsoever.
- 4.32. Additionally, the forensic auditors after their audit unequivocally opined that "On the basis of site visit the Company seem to be operating in the normal course of business and no adverse observation could be found" As a matter of fact, Forensic Audit Report has not made any such allegation. On the said particular allegation, the SCN travels beyond the Forensic Audit Report and makes a random and unsubstantiated allegation.

4.33. Without prejudice to same, based on the nonpartisan review and scrutiny of ROC records, an independent company secretary in its report opined that:

4.33.1. Out of forty-four (44) companies listed in the Forensic Audit Report, seventeen (17) companies are non-active due to amalgamation/strike-off/liquidation, etc. They do not exist at the impugned address.

4.33.2. Out of the remaining twenty-seven (27) companies, there are six companies (6) which are not situated in Aloka House and have a completely different address as per the MCA records.

4.33.3. Out of the remaining twenty-one (21) companies, eighteen companies are not related to IGFL/ its promoters/ directors. These companies are situated in separate blocks on the first floor of Aloka House and not in Room No. B-19 (wherein IGFL is situated).

4.33.4. The address remaining three (3) companies related to IGFL or its promoters entity are as under:

Table: Address of Companies		
Sl. No.	Name of Company	Block No. (on first floor of IGFL)
1.	Inter Globe Finance Ltd	B – 19
2.	Inter Globe Realty LLP	B - 13
3.	Inter Globe Overseas Ltd	B - 22

4.34. IGFL does not conduct its business from the entire first floor of the building (Aloka House) wherein its registered office is located. There are almost thirty-two (32) office spaces /blocks/ rooms on the first floor itself (numbered from B-1 to B-32). Hence, to sweepingly assume that the office of other entities and IGFL is same is incorrect.

Allegation II(i): the auditor of IGFL has not subjected itself to the peer review process of ICAI and does not hold a valid certificate issued by the Peer Review Board of ICAI

4.35. It is submitted that the current auditors, M/s Bijan Ghosh & Associates, as well as the past auditors, M/s Manish Mahavir & Co, of IGFL subsequently subjected themselves to the peer board review process and obtained valid certificates issued by the peer board review of the ICAI.

Allegation II(ii): IGFL has not disclosed to stock exchange about its acquisition of shares in the Investee Companies within twenty-four (24) hours of acquisition.

4.36. It is submitted, in regard to this allegation, that the agreement to purchase shares of the Investee Companies was executed on 6th November, 2015 when the LODR Regulations had not even come into force. The LODR Regulations were notified on 1st September 2015 and only came into force much later from its 90th day of its publication, i.e. from 1st December 2015. Therefore, an allegation of violating the LODR Regulations cannot arise in regard to this transaction and is completely baseless.

4.37. It is also pertinent to mention that it was only after February 19, 2016 the stock exchange (BSE) entered into a fresh agreement with IGFL for continued admission of trading of its securities on the floor of the exchange. This agreement was executed by the BSE to enable and bind the listed companies to comply with the newly applicable LODR Regulations. Hence, it is submitted that the disclosures under the LODR were inapplicable in November – 2015 (i.e. when the Agreement to purchase shares of Investee Companies was executed).

4.38. In any case, it is submitted, without prejudice, that the final acquisition of shares was completed only September 1, 2016 when IGFL's name was entered as a shareholder in the register of members of the Investee Companies. Immediately

on such acquisition, IGFL filed proper disclosures with the BSE (on September 1, 2016) under the LODR Regulations by way of abundant caution.

4.39. In addition, it is necessary to reiterate that the independent directors of IGFL appointed JLN US & Co. (SEBI & NSE empanelled auditors) to undertake an independent audit of IGFL. After a detailed audit of financials, disclosures, and transactions on various relevant parameters, the JLN Report opined that “IGFL is a normal operating company with regular business operations of lending & shares trading and cannot be characterized as a shell company.”

5. I note that Noticee no. 3 and 6, vide their reply dated December 25, 2020 have iterated that they shall be adopting the reply dated December 24, 2020 in its entirety, as submitted by Noticee no. 1. In addition to the contentions raised in the reply of Noticee no. 1, Noticee no. 3 and 6, have also raised the following key contentions to the allegations in the SCN:

5.1. We were appointed as independent directors on May 30, 2011, and have been in that position since such time. As non-executive independent directors, we were not responsible for the day to day functioning of IGFL or its daily administration. We participated only in policy decisions and relied on the information provided to us by the executive directors, professionals appointed, reports presented and information submitted.

5.2. An independent director and/or non-executive director cannot be proceeded against, under statute, particularly for bonafide decision taken during the course of the board meeting. It is required to be established that individual directors had personally perpetrated a fraud or committed violation of any provision.

5.3. A perusal of Section 149(12) of the Companies Act, 2013 makes it clear that an independent director shall be liable only in respect of such acts of omission or

commission by a company which has occurred with his knowledge, consent or connivance or where the independent director does not act diligently.

5.4. We were not responsible for making disclosures such as the LODR Regulations as alleged in preparing financials or finalizing financials. Therefore, no allegation can be made against us in this respect.

5.5. Without prejudice to the above, we also submit that as soon as we got wind of any potential allegations against IGFL, we passed a resolution in Audit Committee dated August 13, 2018 to conduct a forensic audit and eventually appointed JLN US & Co., a reputed firm of chartered accountants, on August 28, 2018, to conduct a forensic audit on the books of account of IGFL for the FY 2015-16, 2016-17 and 2017-18. On November 5, 2018, JLN US & Co., submitted their report to us, giving a clean chit to IGFL.

Consideration of submissions and findings:

6. I have considered the allegations in the SCN, replies received, and submissions made by the Noticees during the personal hearing granted to them. The SCN alleges the violation of the following provisions of law by the Noticees:

Relevant extract of the provisions of SEBI Act, 1992:

“Functions of Board.

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly-

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

.....

Offences by companies.

27. (1) Where an offence has been committed by a company, every person who at the time the offence 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 offence and shall be liable to be proceeded against and punished accordingly:

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

- (2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section,- (a) "company" means any body corporate and includes a firm or other association of individuals; and (b) "director", in relation to a firm, means a partner in the firm....."

Relevant extract of provisions of SCRA, 1956:

"Conditions for listing.

21. Where securities are listed on the application of any person in any recognized stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange."

Relevant extract of the provisions of PFUTP Regulations, 2003:

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a);
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

.....

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

.....

(r) planting false or misleading news which may induce sale or purchase of securities.

.....”

Relevant extract of the provisions of LODR Regulations:

“Principles governing disclosures and obligations.

4. (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:
- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
 - (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
 - (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
 - (d)
 - (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
 - (f)
 - (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
- (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.
-
- (f) Responsibilities of the board of directors:
The board of directors of the listed entity shall have the following responsibilities:
.....
 - (ii) Key functions of the board of directors-
.....
- (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

...

(iii) Other responsibilities:

....

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

.....

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

.....

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

.....

Disclosure of events or information.

30. (1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.

(2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.

(3) The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4).

.....

Schedule III

.....

B. Events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30):...

2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal).

.....

Financial results.

33.(1) While preparing financial results, the listed entity shall comply with the following:

.....

(d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has

subjected himself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Accounting Standards.

48. The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.....”

7. Before proceeding with the merits of the matter, it will be relevant to discuss the background of the present proceedings. SEBI received a letter no. F. No. 03/73/2017-CL-II dated June 9, 2017 from the Ministry of Corporate Affairs (hereinafter referred to as “**MCA**”) vide which MCA had annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA had also annexed the letter of Serious Fraud Investigation Office, dated May 23, 2017 which contained the list of shell companies along with their inputs. In respect of listed shell companies including IGFL, vide its letter dated August 7, 2017, SEBI placed trading restrictions on promoters/directors so that they do not exit these listed companies. SEBI vide the said letter dated August 7, 2017 also placed the scrip in the trade-to-trade category with limitation on the frequency of trade and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them on trading in the scrip. Thereafter, BSE vide notice dated August 7, 2017 issued to all its market participants-initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed companies, as identified by MCA and communicated by SEBI, with effect from August 8, 2017. On August 09, 2017, SEBI further advised the Exchanges to submit a report after seeking auditor's certificate, from all such listed companies, providing the status of certain aspects of these companies like compliance with Companies Act, whether company is a going concern and its business model, status of compliance with listing requirements, etc.
8. Vide its letter dated August 9, 2017, IGFL made a representation to SEBI, *inter alia*, submitting as under:

- *That the Company is not a shell company as alleged.*
- *That the Company is a healthy profit making company having an annual turnover of over Rs. 77.50 crores and profit of Rs. 2.5 crores during the Financial Year 2016-17.*
- *That the Company has 13,900 plus Shareholders and paid Dividends regularly to their shareholders since 2011.*
- *That the scrip is actively trading in BSE and the Company has complied with all regulations and at no time the authorities had issued any notices to them in this regard.*
- *That the Company has no investor complaints which are pending and there is no Income tax Department matters which are also pending so, keeping the Company under "shell" company is totally unwarranted and uncalled for.*
- *That any direction issued by SEBI in terms of the SEBI letter is uncalled for.*
- *That the Company has never been on any occasion indulged in any kind of malpractices in and requests withdraw of directions issued.*

9. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and BSE, IGFL filed an appeal No. 189 of 2017 before Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter referred to as "**SAT**"). Hon'ble SAT vide order dated September 11, 2017 directed the following:

"3. In view of the facts set out in the Memorandum of Appeal and other documents tendered at the time of hearing relating to annual turnover of the appellant company for last three years, which even according to SEBI prima facie appear to be correct, we extend the said stay to the case of the appellant company herein and direct the stock exchanges to reverse their decision in respect of the appellant company as expeditiously as possible.

4. Appellant company is at liberty to make a representation to SEBI against the impugned communication of SEBI dated 07.08.2017. If representation is made, SEBI shall dispose of the said representation in accordance with law.

5. It is made clear that this order shall not come in the way of SEBI as well as the stock exchanges to investigate the case of the appellant company and initiate proceedings if deemed fit.

6. Appeal is disposed of in the aforesaid terms with no order as to costs. In view of the disposal of the Appeal, Misc. Application No. 224 of 2017 does not survive and the same is disposed of

accordingly.”from further investigating the matter and initiate appropriate proceedings if deemed fit.”

10. Pursuant to above mentioned SAT Order, SEBI had called for various information/ explanation from IGFL and after granting an opportunity of personal hearing to IGFL, an interim order dated March 1, 2018 came to be passed by Whole Time Member, SEBI, directing the following:

“31.....

- i. The trading in securities of IGFL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
- ii. Exchange shall appoint an forensic auditor inter alia to further verify:
 - a. Misrepresentation including of financials and/or business of IGFL and its subsidiaries, if any;
 - b. Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.
- iii. The promoters and directors in IGFL are permitted only to buy the securities of IGFL. The shares held by the promoters and directors in IGFL shall not be allowed to be transferred for sale by depositories.
- iv. The other actions envisaged in SEBI’s letter dated August 07, 2017 in para 1 (d) as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against IGFL.....”

The interim order also clarified that:

“32. The ‘directors’ for the purpose of directions above shall mean and include:

- c. the persons who are acting as directors on the date of this order, or
- d. the persons who were acting as directors of this company as on August 07, 2017, who cease to be director by way of disqualification by any other authority, or by way of resignation or by any other means, on or after August 07, 2017.”

11. The said directions in the interim order were partially confirmed vide order dated December 27, 2018, however, the restraint on sale of shares of IGFL by

directors/promoters was revoked. In terms of the interim order, BSE had appointed BDO India LLP as the Forensic Auditor on January 9, 2019 and the Forensic Audit Report was submitted to BSE by BDO India LLP on August 30, 2019. Thereafter, based on the Forensic Audit Report which was forwarded by BSE to SEBI, SEBI carried out an investigation in the matter. Based on the findings of investigation, SCN was issued to the Noticees. On November 10, 2020 for granting an opportunity of hearing to the Noticees and passing a final order in the matter.

12. I shall now proceed to examine the allegations in the SCN and the contentions raised by the Noticees thereon. I note that allegations made in the SCN can be categorized as under:

- A. Violations of provisions of LODR Regulations due to misrepresentation including of financials and misuse of funds/books of accounts;
- B. Other violations of provisions of LODR Regulations; and
- C. Violation of provisions of PFUTP Regulations, 2003.

In the following paras, all these have been dealt with my findings thereon.

A. Violation of provisions of LODR Regulations due to misrepresentation including of financials and misuse of funds/books of accounts:

13. Re: IGFL's acquisition of the shares of the Investee Companies by means of a cash transaction with M/s Kashiram Jain & Co., amounting to Rs. 34.64 lakhs raises concern over genuineness and is not good governance practice. The disposal of shareholding in the 6 Investee Companies at a loss of 5.47 lakhs indicates that IGFL did not carry out due diligence before acquisition.

13.1. SCN alleges that the Company has paid huge amount of funds amounting to Rs 34.64 lakhs in cash to M/s Kashiram Jain & Co. for acquisition of shares of 6 companies (Inter Globe Projects Ltd., Inter Globe Realty Ventures Ltd., Inter Globe Tradex and

Services Ltd, Inter Globe Medical College & Hospital Ltd., Inter Globe Engitech India Ltd. and Inter Globe Realtors Projects India Ltd.) Investee Companies, thereby raising concerns over the genuinity of business transactions carried out by the Company and also indicating that the Company has not followed good governance practices by carrying out such huge amount of transactions in cash. The disposal of shareholding by IGFL in the Investee Companies, at a loss of Rs 5.47 lakhs (sale price of Rs 29.17 lakhs, cost Rs 34.64 lakhs) indicates that IGFL has not carried out proper and necessary due diligence of the fundamentals and performance of the Investee Companies before acquisition of shares in these companies.

13.2. Reply of the Noticees:

13.2.1. There is a logical and genuine trail of entries that follows this transaction. The investments via bank withdrawal have been properly recorded in our books under non-current investments in the annual accounts of FY 2015-2016. In addition, it has also been properly recorded in the books of M/s Kashiram Jain & Co. in its annual audited accounts for the financial year 2015-16 filed by them with BSE. M/s Kashiram Jain & Co. has also issued a proper receipt for the cash received by IGFL. The amount of Rs. 34.64 lakhs might seem large but it was the *total* amount invested into the 6 *different* Investee Companies. Therefore, investment into each Investee Companies was not a large sum whatsoever. Further, at the time this transaction was carried out, i.e. in the FY 2015-2016, there were no restrictions on cash transactions in terms of the Income Tax Act, 1961 in the country. It is our submission that our bankers in compliance with RBI master circular (RBI/2014-15/92) on cash transactions have also not raised any suspicious over the bank withdrawal and considered the same as genuine business transaction.

13.2.2. IGFL did a careful due diligence and even appointed M/s Ranay Goswami & Co. for this precise purpose & submitted their report on various parameters like (i) shareholder details (ii) directorship (iii) registered office (iv) Evaluation

of ROC records in order to ascertain compliance status & any unforeseen liability (v) Evaluation of IT records in order to ascertain compliance status & any unforeseen liability (vi) Transactions within Section 188 of companies act (vii) Section 185 applicability – loans given to directors (viii) Default status (if any), and various other parameters.

- 13.2.3. At the time of acquisition of the Investee Companies, IGFL wanted to explore investment opportunities in real sectors of the economy. However, subsequently, the Managing Director S.K. Jain's health took a turn for the worse. In addition, it is also pertinent to note at this point that it was Mr. S.K. Jain who had been instrumental in leading plans for exploring investment opportunities in these sectors.
- 13.2.4. Assets amounting to Rs. 29.18 lakhs of all Investee Companies were transferred to IGFL's books. The difference between the amount invested, i.e. Rs. 34.64 lakhs, and amount recovered, i.e. Rs. 29.18 lakhs, is Rs. 5.47 lakhs. This Rs. 5.47 lakhs was the amount spent during FY 2015-16 to FY 2017-18 on the Investee Companies primarily on account of ROC & other statutory filing expenses apart from normal business expenses.
- 13.2.5. It is submitted that it is also pertinent to put into context the acquisition of the Investee Companies and the loss caused. At the relevant time, the net-worth of IGFL was around Rs. 92.8 cores. The investment in Investee Companies was for Rs. 34.64 lakhs, which itself constitutes a mere 0.36% of overall net-worth of IGFL. The loss, therefore, constitutes an even lesser percentage of the overall net-worth of IGFL and is not, in any manner whatsoever, significant to IGFL.
- 13.2.6. In addition, it is submitted that the decision to invest or dispose of the shareholding were decisions taken exercising commercial wisdom and business judgment of IGFL and its Board of Directors. It is, therefore, submitted

that courts should not go into the merits of these decisions or substitute their own judgment in these decisions.

13.3. My Observations:

13.3.1. The Noticees have contended that Section 269ST of the Income Tax, 1961, which introduced restrictions on dealing in cash for an amount of rupees two lakh or above, came into force with effect from April 01, 2017 and prior to it there was no restrictions on dealing in cash. The said contention of the Noticees may be correct, however, I note that Noticee no. 1 is a listed company besides being non-deposit taking NBFC registered with RBI. It has issued its shares to public at large and has thus, raised equity capital from the public. Its transactions must be transparent which instils the confidence of investing public in the affairs of the Company. One of the means to achieve such a transparency is that all the fund related transactions, especially of the nature which are in question here, of the Company are carried out through banking channels which could ensure proper audit trails of the funds transacted. Noticee no. 1 has not furnished any reason to explain as to why it was required to pay consideration for purchase of shares in the six Investee Companies in cash. Also, I note that the cash that was withdrawn by the Noticees on November 13, 2015 and February 6, 2016 from Karnataka Bank was Rs. 25 Lakhs on each occasion, however, the amount that was purportedly spent by the Company to buy shares of Investee Companies turns out to be only Rs. 34.64 Lakhs. Thus, even these entries do not tally.

13.3.2. In this regard, the Noticees have also sought to place reliance on a letter issued by Karnataka Bank dated September 10, 2020, certifying that the impugned cash transactions were though reported in the Cash Transaction Report to RBI but were not reported in the Suspicious Transaction Report to RBI. In this regard, I note that the obligation to report suspicious transactions emanates from the stipulations under the Prevention of Money Laundering Act, 2002 read

with the rules framed thereunder, which puts onus on the reporting entity to assess whether a transaction made in cash or otherwise, which, to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime. I note that each reporting entity has its own policy of assessment of whether to call a particular transaction as suspicious or not. Thus, I find that merely because the impugned transactions were not reported by Karnataka Bank in the Suspicious Transaction Report, does not *ipso facto* lead to any favourable inference about the transaction.

13.3.3. In view of the above, I find that though dealing in such high value transaction worth Rs. 34.64 Lakh, in cash, may not be prohibited by the then prevailing provisions of Income Tax Act, 1961, but it certainly cannot by any stretch of thought be said to be a normal and regular business practice, as claimed by the Noticees, particularly by an NBFC which is also a listed company (more-so without any compelling reason), let alone a good governance practice. Thus, I note that members of the board of directors of IGFL have violated the provisions of Regulation 4(2)(f)(iii)(3) and 4(2)(f)(iii)(6) of LODR Regulations, as alleged in the SCN.

13.3.4. According to the Forensic Audit Report, IGFL had acquired 99% stake in each of the Investee Companies. It is the Noticees case that the acquisition in the Investee Companies was complete only on September 1, 2016 i.e. the day when the name of IGFL came to be registered as a shareholder in the 'Register of Members' of the Investee Companies. In this regard, I note that in terms of Section 56 of the Companies Act, 2013, after the proper instrument of transfer, in such form as may be prescribed, duly stamped, dated and executed by or on behalf of the transferor and the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the company by the transferor or the transferee within a period of sixty days from the date of execution of such instrument of transfer of securities, a company can

register transfer of securities of the company within a period of one month from the receipt of such instrument. I note that in the case of four out of the six Investee Companies, IGFL took 10 long months to get itself registered as the member in those four Investee Companies. The apparent reason for this delay being cited by the Noticees is that it was because of lackluster attitude of one of its employees in ensuring the necessary compliance on time. Be that as it may, though from the material available on record, it is seen that IGFL was registered as a shareholder only in September 2016, but I note that, this was a mere formality and I find that IGFL had started exercising control in the affairs of the Investee Companies right from the date of payment of consideration to M/s. Kashiram Jain & Co. From the records available on MCA 21 Portal, I find that the directors/ CFO/ promoters of IGFL, started occupying positions of directorship in the Investee Companies from April 2016 itself. The following table gives more details.

Name of the Investee Company	Name of the Director since April 1, 2016	Name of the Director since April 1, 2016	
Inter Globe Medical College & Hospital Ltd.	Navin Jain (Noticee No. 2)	Seema Gupta (Noticee no. 4)	
Inter Globe Engitech India Ltd.	Suresh Kumar Jain (Late MD of IGFL)	Seema Gupta (Noticee no. 4)	Anirban Dutta (Noticee no. 5)
Inter Globe Projects Ltd	Suresh Kumar Jain (Late MD of IGFL)	Anirban Dutta (Noticee no. 5)	
Inter Globe Realty Venture Ltd.	Suresh Kumar Jain (Late MD of IGFL)	Seema Gupta (Noticee no. 4)	
Inter Globe Tradex & Services Ltd.	Navin Jain (Noticee no. 2)	Anirban Dutta (Noticee no. 5)	
Inter Globe Realtor Project India Ltd.	Suresh Kumar Jain (Late MD of IGFL)	Navin Jain (Noticee no. 2)	

13.3.5. From the above table, I find that the directors/ promoters of IGFL took position as directors on the board of the Investee Companies even before the formal

registration of IGFL as a shareholder in the Investee Companies on September 01, 2016. Thus, I find that IGFL had started exercising control over the affairs of the Investee Companies even before September 1, 2016 and IGFL had control over the composition of the board of directors of its Investee Companies, despite that it took IGFL 10 months to get the shares of these investee companies transferred in its name which further raises suspicion on the nature of these transactions particularly by a company which is registered as NBFC.

13.3.6. With regard to the allegation in the SCN about loss of 5.47 lakhs by IGFL, I note that the Noticees have furnished a report from Chartered Accountants, M/s. JLN US & Co, certifying that Rs. 5.47 lakhs was spent on the Investee Companies mainly on account of ROC & other statutory filing expenses, and other business expenses. In view of the same, I find that no adverse inference can be drawn on the basis of this allegation.

14. Re: The sale and repurchase of shares amounting to Rs. 10.28 Crores by IGFL to/from its subsidiary.

14.1. SCN alleges that the absence of any prudent economic and business rationale, behind sale and repurchase of shares amounting to Rs 10.28 crores by IGFL to/from its subsidiary i.e. M/s Inter Globe Tradex & Services Ltd and subsequent closing of the said subsidiary, indicates that the transaction was merely carried out by IGFL to facilitate accommodation entries/circulation of funds, thereby leading to misuse of funds of the Company.

14.2. Noticees have contended that the Company had consistently planned to reduce the business volatility by reducing the share transactions. IGFL had decided to focus on core business operations rather than diversify. The business rationale, therefore, is abundantly clear behind this decision. The decision to transfer shares of IGOL and IGRL to their own subsidiary rather than outside of their Investee

Companies was taken with the intention of not impacting the overall revenue of IGFL and its shareholders. Subsequent to the forensic audit report, these transactions were scrutinised by Income tax department & an assessment order was passed by two different assessing officer where they have considered the purchase and sale transaction between IGFL & IGTSL as genuine. It is respectfully submitted that income tax department is the primary department that review and scrutinizes such transaction did not find anything amiss or illegal in the transaction.

14.3. From the Forensic Audit Report, I note that the share transfer formalities for sale of shares of IGOL and IGRL (the two subsidiaries of IGFL) from IGFL to Inter Globe Tradex & Services Ltd. (another subsidiary of IGFL) got completed on December 15, 2016, but no actual consideration was received by IGFL for this sale of shares, rather as claimed by IGFL, it was reflected as 'Amount outstanding due to share sale' in the Balance Sheet of IGFL as on March 31, 2017.

14.4. IGFL has relied on the minutes of meeting of the Board of Directors dated April 4, 2015 and April 5, 2016, wherein the approval for the Annual Business Plan and the budget thereof of IGFL was given for the FY 2015-16 and FY 2016-17, respectively. It is the case of the Noticees that the Company had consistently planned to reduce the business volatility by reducing the share transactions. However, from a perusal of the aforesaid minutes of the board meeting, I find that the Company had resolved to reduce volatility in share business by reducing trading portfolio and focusing on investment portfolio. Thus, I find that what was resolved was to reduce trading in shares of companies, which by nature are volatile, and focusing on long term investment rather than day to day trading. By relying on the aforesaid minutes of the board meeting, the Noticees have sought to justify their decision to sell shares of IGOL and IGRL, which are basically public unlisted companies. Thus, I find that the inference sought to be drawn from impugned board resolutions by the Noticees, is not sustainable.

14.5. I note that the Noticees have failed to offer any satisfactory explanation as to why the shares of IGOL and IGRL came to be sold and re-purchased within a span of nine months that too in a related party transaction. I note that while the Noticees have contended that the sale of shares to own subsidiary of IGFL has ensured that the asset is not distributed to an outside third party but Noticees have failed to offer any explanation as to why these shares were repurchased by IGFL from Inter Globe Tradex & Services Ltd. which was its own subsidiary.

14.6. I note that the Noticees have produced copies of the Assessing Orders passed by the Assessing Officer of the Income Tax Dept. while assessing the income of IGFL and Inter Globe Tradex & Services Ltd. for the FY 2016-17. It is the case of the Noticees' that impugned transfer of shares had stood the scrutiny of the Income Tax Dept. because no adverse inference has been drawn by the Assessing Officers. I note that main aim of assessment by the Income Tax Dept. is to ensure that the self-assessment done by the assessee, does not result into loss of revenue to the state. Secondly, the said Assessment Orders relate only for the FY 2016-17, whereas the impugned sale and re-purchase took place across two financial years i.e. FY 2016-17 and FY 2017-18. The second leg of the impugned transaction took place only in September 2017, thus, the Assessing Officers never had the opportunity to scrutinize the impugned transaction holistically. It is also pertinent to note that the Assessment in case of IGFL for FY 2016-17 and Assessment of Inter Globe Tradex Services Ltd. for FY 2016-17, was conducted by two different Assessing Officers and re-purchase transaction happened in the FY 2017-18 i.e. the year income from which was not under assessment before the Assessing Officers. In view of the above, I find that, the inference sought to be drawn by the Noticees from the Assessment Orders of the Income Tax Dept. in respect of IGFL and Inter Globe Tradex Services Ltd. for FY 2016-17, regarding the genuineness of the impugned transaction, is not correct.

14.7. In view of the above, I find that the transaction of impugned sale and re-purchase of securities worth Rs. 10.28 crore between IGFL and its subsidiary, Inter Globe

Tradex & Services Ltd., within a span of nine months, shows that the members of the board of directors of IGFL have violated the provisions of Regulation 4(2)(f)(iii)(3) and 4(2)(f)(iii)(6) of LODR Regulations, as alleged in the SCN.

15. Re: There are allegedly 44 companies operating from the same registered address as IGFL which raises doubts over operation of IGFL.

15.1. SCN alleges that there are 44 companies operating from the same registered office address as that of IGFL which raises doubts over the operations of the Company.

15.2. Noticees have contended that the allegation has been made in the SCN and Forensic Audit Report by relying on a non-official and random website called 'Zauba'. No official records have been relied on and instead of relying on the records of the Ministry of Corporate Affairs (MCA), a fly-by-night website is being relied on. Such records are not in any way official records. IGFL does not conduct its business from the entire first floor of the building (Aloka House) wherein its registered office is located. There are almost thirty-two (32) office spaces/blocks/rooms on the first floor itself (numbered from B-1 to B-32). Hence, to sweepingly assume that the office of other entities and IGFL is same is incorrect.

15.3. I note that material available on record shows that registered office address of the Company is "Aloka House, 1st Floor, 6B, Bentinck Street, Kolkata, West Bengal – 700001". SCN, on the basis of the Forensic Audit Report, alleges that 44 companies were also having the same registered office address. The registered office addresses of these 44 companies have been taken by the forensic auditor from the website www.zaubacorp.com. Noticees have submitted that there are about 32 office space/blocks/rooms on the first floor of the Aloka House and Noticee no. 1 does not conduct its business from the entire floor. In this regard, Noticees have produced an office lay out plan of Aloka House, 1st Floor, 6B, Bentinck Street, Kolkata, West Bengal – 700001 prepared by Shri Abhijit Karmarkar, Building Surveyor (No. 1287), licensed by Kolkata Municipal

Corporation, showing that said first floor is divided into 32 units. Further, the Noticees have also produced copy of a certificate dated November 27, 2020 issued by Sweety Sharma, Practicing Company Secretary, certifying that IGFL was not sharing its office space with any other company and that IGFL is based out of office no. B-19 on the First Floor of Aloka House. In this regard, after making two site visits to the aforesaid registered office address of the Company, Forensic Audit Report observed that the Company seem to be operating in the normal course of business and no adverse observation could be found. In view of all the aforesaid, I find that no adverse inference can be drawn regarding the business operations of the Company on the basis of said registered office address.

B. Other violations of provisions of LODR Regulations:

16.Re: The auditor of IGFL had not subjected itself to the peer review process of ICAI and does not hold a valid certificate issued by the Peer Review Board of ICAI.

16.1. SCN alleges that IGFL has violated Regulation 33(1)(d) of Chapter IV of LODR Regulations as the auditor of the Company has not subjected himself to the peer review process of Institute of Chartered Accountants of India and does not hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

16.2. Noticees have submitted that the current auditors, M/s Bijan Ghosh & Associates, as well as the past auditors, M/s Manish Mahavir & Co., of IGFL subsequently subjected themselves to the peer board review process and obtained valid certificates issued by the peer board review of the ICAI.

16.3. I note that M/s. Manish Mahavir & Co. was the Statutory Auditors of IGFL for the FY 2015-16, 2016-17 and 2017-18. From the Forensic Audit Report, I find that the forensic auditor has made a remark that at that relevant point in time, M/s. Manish

Mahavir & Co., was not holding a valid certificate from Peer Review Board of ICAI. I note that the Noticees alongwith their reply have submitted a copy of the peer review certificate of M/s. Manish Mahavir & Co. from ICAI. The said certificate shows that M/s. Manish Mahavir & Co. was holding the Certificate as a per review auditor only from August 04, 2016 to August 03, 2020. Therefore, I find that M/s. Manish Mahavir & Co. was the statutory auditor of IGFL for FY 2015-16, but during the same tenure, M/s. Manish Mahavir & Co. , was not holding a valid certificate from the peer review board of ICAI, which was in direct violation of Regulation 33(1)(d) of LODR Regulations and Clause 41 (I) h of the erstwhile Equity Listing Agreement. I note that the Noticees have not denied this finding of the Forensic Audit Report. However, the Noticees have submitted that M/s. Manish Mahavir & Co., have subsequently, subjected themselves to the peer review process of ICAI. I note that subsequent compliance does not validate the past non-compliance. Therefore, I find that for the FY 2015-16, the Company has violated Regulation 33(1)(d) of LODR Regulations and Clause 41 (I) h of the erstwhile Equity Listing Agreement which mandate that the listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself to the peer review process of ICAI and holds a valid certificate issued by the Peer Review Board of the ICAI.

17.Re: IGFL has not disclosed to stock exchange about its acquisition of shares in the Investee Companies within twenty-four (24) hours of acquisition.

17.1. SCN alleges that IGFL has violated Regulation 30(6) of LODR Regulations, by not disclosing to the stock exchange about its acquisition of 99% shares in 6 companies (Inter Globe Projects Ltd., Inter Globe Realty Ventures Ltd., Inter Globe Tradex and Services Ltd, Inter Globe Medical College & Hospital Ltd., Inter Globe Engitech India Ltd. and Inter Globe Realtors Projects India Ltd), within twenty four hours of such acquisition as the disclosure was made by the company to the stock exchange only on September 01, 2016 whereas the obligation for purchase was discharged by the company on November 13, 2015 and February 06, 2016.

17.2. Noticees have contended that the agreement to purchase 99% shares of the Investee Companies was executed on 6th November, 2015 when the LODR Regulations had not even come into force. The LODR Regulations were notified on 1st September 2015 and only came into force much later from its 90th day of its publication, i.e. from 1st December 2015. Therefore, an allegation of violating the LODR Regulations cannot arise in regard to this transaction and is completely baseless. It is also pertinent to mention that it was only after February 19, 2016 the stock exchange (BSE) entered into a fresh agreement with IGFL for continued admission of trading of its securities on the floor of the exchange. This agreement was executed by the BSE to enable and bind the listed companies to comply with the newly applicable LODR Regulations. Hence, it is submitted that the disclosures under the LODR Regulations were inapplicable in November – 2015 (i.e. when the Agreement to purchase shares of Investee Companies was executed). In any case, it is submitted, without prejudice, that the final acquisition of shares was completed only September 1, 2016 when IGFL's name was entered as a shareholder in the register of members of the Investee Companies. Immediately on such acquisition, IGFL filed proper disclosures with the BSE (on September 1, 2016) under the LODR Regulations by way of abundant caution.

17.3. The contention of the Noticees is that provisions of LODR Regulations would not be applicable to the impugned violation by IGFL, since, the LODR Regulations came into effect from December 1, 2015 and first tranche of the transaction was completed on November 13, 2015. Similarly, second tranche of transaction was completed on February 06, 2016. Since, IGFL signed the fresh listing agreement with BSE after February 19, 2016 which bound it to comply with the LODR Regulations, therefore, LODR was not applicable to second tranche. I note that, at the time of completion of first tranche, the provisions of erstwhile equity listing agreement were applicable to the Company. At the relevant time, Clause 36 and Clause 49 of erstwhile

mandated disclosure of such events by the listed companies. The relevant extracts of the Clause 36 and Clause 49 of the erstwhile listing agreement, are as under:

“36. Apart from complying with all specific requirements as above, the Issuer will intimate to the Stock Exchanges, where the company is listed immediately of events such as and all events which will have a bearing on the performance / operations of the company as well as price sensitive information both at the time of occurrence of the event and subsequently after the cessation of the event in order to enable the securityholders and the public to appraise the position of the Issuer and to avoid the establishment of a false market in its securities. The material events may be events such as:

1.....

7. Any other information having bearing on the operation/performance of the company as well as price sensitive information which includes but not restricted to;

1. Issue of any class of securities.

2.Acquisition, merger, de-merger, amalgamation, restructuring, scheme of arrangement, spinoff of setting divisions of the company, etc.

.....

49. Corporate Governance

I.....

A.....

C Disclosure and transparency

1.The company should ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the company.

.....”

17.4. Therefore, I note that, in respect of first tranche, mentioning of Regulations 30(6) of LODR Regulations, is merely a wrong mentioning of the provisions. In this regard, it is pertinent to note the judgement dated January 19, 1996 of the Hon’ble Supreme Court of India in **Collector of Central Excise vs Pradyumna Steel (2003) 9 SCC 234** wherein the Hon’ble Supreme Court held as under:

“.....2. An application for rectification was made by the Department to the Tribunal for rectification of its order dated 23-6-1987 deciding the appeal. In the main order, the only relevant part is contained in para 4 thereof, with which alone the other member of the Bench expressed his concurrence. In that part of the order,

it was held that the provision mentioned in the show-cause notice being inapplicable, the show cause notice was invalid and the correct provision to show-cause could not be seen to support the validity of the notice. The application for rectification made by the Department was on the ground that the mere mention of an incorrect provision of law in the show cause notice was not sufficient to invalidate the same and a decision was relied on in support of this proposition to make out the ground of an error apparent on the face of the order. This application has been rejected by the Tribunal. Hence, this appeal by special leave.

3. It is settled that mere mention of a wrong provision of law when the power exercised is available even though under a different provision, is by itself not sufficient to invalidate the exercise of that power. Thus, there is a clear error apparent on the face of the Tribunal's order dated 23-6-1987.....”

17.5. In the instant case also, in respect of first tranche of the transaction, the provision of Regulation 30(6) of LODR Regulations has been wrongly mentioned in the SCN, but this fact *ipso facto* does not vitiate the charge of non-disclosure of material price sensitive information to the stock exchange which IGFL was obliged to disclose in terms of the provisions of Clauses 36 and 49 of the equity listing agreement, as extracted above. I note that in the instant case the board of directors of IGFL had approved the acquisition of stake in the Investee Companies on November 6, 2015 and a Share Purchase Agreement was signed on the same day. I do not agree with the contention of the Noticees that only the event of final acquisition of shares, which was completed on September 1, 2016 when IGFL's name was entered as a shareholder in the register of members of the Investee Companies, was a material event for disclosure. In this regard, I note that Clauses 36 and 49 of the Equity Listing Agreement are very clear when they state that all material events are required to be disclosed. I note that in terms of Regulation 103 (1) of LODR Regulations, the Circulars introducing Clause 49 in the erstwhile Listing Agreement and Circulars amending Clause 49 and 36 of the erstwhile Listing Agreement stand rescinded, however, in terms of Regulation 103(2) of LODR Regulations, *inter alia*, anything done under the rescinded Circulars or the erstwhile Listing Agreement shall be

deemed to have been done or taken under the corresponding provisions of the LODR Regulations which in the present case is Regulations 30 of LODR Regulations. Therefore, I find that by not disclosing the information of deciding to acquire controlling stake in the Investee Companies, the Company has violated Clause 36(7)(2) and Clause 49 (I) C (1) of the erstwhile Listing Agreement read with Regulation 30(6) of LODR Regulations.

- 17.6. Regarding the second tranche of the transaction which completed on February 06, 2016, I note that at that time LODR Regulations were in force and in terms of Regulation 30(6) of the LODR Regulations, the Company was required to disclose the said event to the stock exchange within 24 hours which the Company has failed to disclose. The contention of the Noticees that the provisions of the LODR Regulations became applicable to them when the Company signed the fresh listing agreement with BSE is flawed, as the coming into force of LODR Regulations qua the Company was not dependent on signing of fresh listing agreement by the Company with BSE. Proviso to Regulation 1(2) of the LODR Regulation provides that the said Regulations shall come into force on the ninetieth day from the date of publication of these Regulations in the official gazette. LODR Regulations were published in the official gazette on September 02, 2015 and therefore, by virtue of Regulation 1(2) came into force on December 01, 2015 and became applicable to all listed entities mentioned in Regulation 3 of the LODR Regulations which includes IGFL also. I further note that in terms of Clause 3 of SEBI Circular no. CIR/CFD/CMD/6/2015 dated October 13, 2015, all listed entities which had previously entered into agreement(s) with a recognised Stock Exchange(s) to list their securities were mandated to execute a fresh listing agreement with such Stock Exchange within six months of the date of notification of LODR Regulations, i.e. September 2, 2015. This circular also merely give the time to the listed entities to sign the fresh listing agreement within six months from September 02, 2015 without defraying the applicability of LODR Regulations till signing of fresh listing agreement. Thus, I find that the contention of the Noticees in this regard, as

untenable and IGFL is in violation of Regulation 30(6) of LODR Regulations in respect of second of the tranche of the transaction.

C. Violations of PFUTP Regulations, 2003:

18. Other violations alleged in the SCN are of Section 12A (a), (b) & (c) of SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1), 4(2)(f) & (r) of PFUTP Regulations, 2003. My observations on the said allegations are given in the following paras.

18.1. As per paragraph 2 of the SCN dated August 20, 2020, investigation conducted in the matter was basically the examination of the Forensic Audit Report submitted by the auditor to BSE which in turn submitted the same to SEBI. In this regard, I note that the scope of work, as was assigned to the forensic auditor by BSE, as stated in the Forensic Audit Report, was as follows:

“The scope of Forensic Audit shall include examining the following: -

1. Possible misrepresentation including its financials and / or businesses and / or violation of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “LODR Regulations”) and/or
2. Possible misusing of Books of Account/funds of the Company including facilitation of accommodation entries and/ or entering into transaction to the detriment of minority shareholders and controlling shareholders and key management person (KMP)

For the aforesaid reasons, the audit inter alia should cover the following:

- a. Suspicious transactions/items as provided in the SEBI / Exchange Orders passed on the Company
- b. To examine the Books of Accounts and backup records of the company for the period of two years including the year of transactions referred in SEBI / Exchange Order to:
 - I. Cash flow analysis to trace source of funds and end use of funds on sample basis (as per Annual Report for last 2 years)
 - II. Assess genuineness of the debtors/ receivables and creditors / payables,
 - III. Reconciliation of debtors / creditors as stated by the Company vis-à-vis the actual position and the prospects of recovery (focus on top debtors)
 - IV. Analysis of Related party transactions

- V. High value bank transactions to ascertain their relevance to the business of the company and to identify the potential round-tripping of funds or accommodation transactions
- VI. Assess genuineness of expenditure (capex as well as other goods and services) and review of top vendors / suppliers / customers
- VII. Investments made by the company in subsidiary companies along with the relevant fund flows, if any
- VIII. Assess genuineness of investments both listed and unlisted with appropriateness of valuation and flow of funds
- IX. Assessment of utilization of funds lying as share premium, if any, in terms of provisions of Companies Act
- X. Comment on the shareholding pattern
- XI. Wherever applicable, the relevant funds flow including analysis of relevant bank statements (also source and utilization of funds)
 - c. Verification / discussions:
 - I. Independent and /or physical verification of the underlying transactions
 - II. Background / reputation checks based on public domain information related to promoters, nature/ line of business, genuineness of business activities of the company
 - III. Discussions with key stakeholders like Promoters/ Senior Management Team / Departmental heads, vendors, customers, company auditors, entities/persons involved in day to day affairs of the company, etc.
 - IV. Business history, directorship searches and litigations
 - V. Assessment of size and scope of business
 - VI. Site visit as may be applicable for verifying existence of the company functional/ registered office, assets, place of execution of services, etc. In case of doubt, site visit to be carried out at plants / factories.”

18.2.I note that conclusion of the forensic audit, as mentioned in the Forensic Audit Report, is as under:

“

- A. Misrepresentation of financial statements and its business and violation of SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015 as evident from the following observation:

- a. The management of IGFL provided adequate supporting documents for all the sampled transaction owing to which we could not find any misrepresentation of financial statements:
- b. Violation of LODR and other applicable regulation:
1. Inter Globe has violated Regulation-17(a) of Chapter IV of SEBI LODR 2015 as their board of directors do not have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors should comprise of non-executive directors, they only have one non-executive director out of total 7 directors.
 2. Inter Globe Finance has violated Regulation 33 (d) of Chapter -IV of SEBI LODR 2015 as auditor of the company has not subjected himself to the peer review process of Institute of Chartered Accountants of India and does not holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.
 3. Inter Globe Finance Failed to submit quarterly Results to stock exchange within stipulated time of 45 days, which is violation of Regulation - 33(b) of Chapter-IV of SEBI LODR 2015 as mentioned below

Quarter ended	Due Date	Filling Date	Delay
Mar-18	15-May-18	30-May-18	15

4. According to regulation 46 (2) of chapter-IV of SEBI LODR 2015, details of familiarization programmes imparted to independent directors including following details:
 - Number of programmes attended by independent directors (during the year and on a cumulative basis till date),
 - Number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date).

However, on review we noted that familiarization programmes policy of Inter globe Finance Limited for independent directors does not mentioned such information. This is a violation of regulation 46 (2) (i) & (ii) of chapter-IV of SEBI LODR 2015.
5. Company was found to have violated provision of regulation 30(6) of SEBI LODR 2015 on multiple instances.

- a. Delayed intimation to Exchange for purchase of shares from M/s. Kashiram Jain & Co. (Refer query 1 in 'Response of SEBI queries' section of the report).
 - b. Delayed intimation to Exchange for rectification of mistake in disclosure of related party transaction. (Refer query 4 in 'Response of SEBI queries' section of the report).
- B. Misuse of books of accounts / fund of the Company including facilitation of accommodation entries to the detriment of minority shareholders and therefore reneging on the fiduciary responsibility cast on the board, controlling shareholders and key management person (KMP) as evident from the following findings:

The management of IGFL had provided majority of explanations and documentary evidences requested while doing the book of account review. However, certain discrepancies have been identified during the review which are as mentioned below:

- a. Payment to M/s Kashiram Jain & Co. for purchase of shares vide share purchase agreement dated 06th November 2015 was made in cash instead of banking channels which creates suspicion on the transaction. (Refer query 1 in 'Response of SEBI queries' section of the report)
- b. The due diligence report provided by the management of IGFL was found to be inadequate and incomplete as the lack various key information that are generally presented in due diligence report. Moreover, the management of IGFL could not provide any reasonable justification as to why within a time span of 4 months from the date of investment the 6 entities were declared to be non-operational. (Refer query 2 in 'Response of SEBI queries' section of the report)
- c. The transaction of sale of share of Inter Globe Overseas Limited (IGOL) & Inter Globe Reality (IGRL) to Inter Globe Tradex & Services Limited (IGTSL) and then again repurchase of shares from IGTSL fulfils the legal requirements of sale and purchase of shares but IGFL failed provide any economic/business rationale for transferring investment in such Company which was about to discontinue its business. Hence, in absence of such rationale the transaction seems to be more in the nature of circulation of funds/accommodation entries without adding any tangible benefits to the shareholders wealth. (Refer query 6 in 'Response of SEBI queries' section of the report)

- d. IGFL failed to provide the credit assessment documents which could evidence the fact that proper and just credit assessment is performed before disbursing loan to obligors.....”

18.3. As can be noted from the above terms of reference of the auditor, scope of audit was to examine possible violations of LODR Regulations and not violations of PFUTP Regulations, 2003 and accordingly, the findings of the Forensic Audit Report are confined only to misrepresentation in the books of accounts of IGFL and consequential and other violations of LODR Regulations. It is observed that the Investigating Authority, after examining the Forensic Audit Report, incorporated the findings of Forensic Audit Report as part of investigation report, and consequently the same was reproduced in the SCN. However, the SCN additionally states, “.....5. *It was observed during investigation that the company (Noticee no.1) had failed to present true and fair financial statements and had executed transactions which are non-genuine in nature thereby tantamounting to misrepresentation of the accounts/ financial statements and misuse of accounts/funds of the company. It was further observed that IGFL had misused funds/ misrepresented books of accounts which are detrimental to the interests of genuine investors and are fraudulent in nature.....* 8. *From the above, it was observed that the company (Noticee no.1), its directors and the Chief Financial Officer (Noticee no. 2 to 6) have failed to present true and fair financial statements, executed transactions which are non-genuine in nature thereby resulting in misrepresentation of the accounts/financial statements and misuse of accounts/funds of the company and such acts were found to be fraudulent in nature.*” Consequently, the SCN, *inter alia*, additionally, includes allegation of violation of provisions of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1) and 4(2)(f) & (r) of PFUTP Regulations, 2003. I observe that while including the above violations in the findings of the stated SEBI investigation and consequently, in the SCN, there is no additional facts or findings provided, which is not in the Forensic Audit Report. It is observed that the Noticees have been charged with the violation of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations

3(b), (c) & (d) of PFUTP Regulations, 2003 which can be in relation to dealing in securities. However, no details of trading viz: volume of shares traded, price impact, percentage increase or decrease in price, etc. have been provided. Nor is there any analysis as to how each of the finding of Forensic Audit Report has impacted the persons dealing in securities

18.4. I note that Section 12A(a), (b), (c) of the SEBI Act, 1992 deals with fraud related to securities market and the provisions of Regulations 3(b), (c) & (d), 4(1) and 4(2)(f) & (r) of PFUTP Regulations, 2003 are also related to securities market fraud/manipulation/ unfair trade practices. Section 12A (a), (b) & (c) of the SEBI Act, 1992 may be invoked in cases where there exists any manipulative or deceptive device or contrivance, any device, scheme or artifice to defraud or any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, purchase or sale of any securities. In the SCN, there are no trading or order data or details of any purchase, sale or price impact analysis that would impact the investors. The Forensic Audit Report has found that financials of IGFL were misrepresented and does not specifically find diversion/misutilization/siphoning off, of the assets or earnings of the Company. The investigation and consequently SCN have drawn an inference that it has led to violation of PFUTP Regulations without providing any analysis/details as to impact on price of the securities of the Company when such misrepresented financials were disclosed to stock exchanges at the end of each quarter, during the investigation period i.e. April 01, 2015 to March 31, 2018.

18.5. Regulation 4(1) of PFUTP Regulations, 2003, at the relevant time, dealt with fraudulent and unfair trade practices relating to securities while Regulation 4(2) is nothing but an enumeration of specific instances of fraudulent and unfair trade practices relating to securities. The common thread through these provisions is that the ingredients of fraud/ manipulation/ unfair trade practices must be satisfied. In

this regard, I note that the Explanation inserted to Regulation 4(1) of PFUTP Regulations, 2003 with effect from October 19, 2020 clarifies as follows:

“Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”

Thus, as per the aforesaid explanation also any device, scheme or artifice to manipulate the books of accounts or financial statement of a company, in order to be termed as manipulative, fraudulent and an unfair trade practice in the securities market should have directly or indirectly result into manipulation of the price of securities of that company. In the present case, there is no allegation of manipulation of price shares of IGFL. I note that Forensic Audit Report does not allege any diversion/ misutilisation of funds which as per the aforesaid explanation can be termed as manipulative, fraudulent and an unfair trade practice in the securities market without there being any direct or indirect manipulation of the price of the securities of the Company. I note that there is no bar on taking action by SEBI on the basis of a Forensic Audit Report, invoking provisions of PFUTP Regulations, 2003 and other similar provision of SEBI Act, 1992 related to fraud, if, after examination of the matter, including the Forensic Audit Report, SEBI finds that there was impact on the securities market or the price of the scrip, which are ingredients to prove violations of PFUTP Regulations, 2003. I further observe that the definition of fraud as given under Regulation 2(1) (c) and as interpreted by the Hon’ble Supreme Court of India in Securities and Exchange Board of India and Ors v. Kanaiyalal Baldevbhai Patel and Ors. (2017) 15 SCC 753, makes it clear that ‘inducement’ is required to constitute ‘fraud’ under PFUTP Regulations 2003 and must be made while ‘dealing in securities’ and must be made for the purpose ‘to induce others to deal in securities’. The allegations made in the SCN does not

bring out findings or any facts relating to impact on trading in securities or these essential ingredients of 'fraud' such as 'manipulation in securities', 'dealing in securities', 'inducement', etc.

19. Therefore, I find that violations of PFUTP Regulations, 2003, as alleged in the SCN, are very general and vague in nature without making out any specific case containing necessary ingredients required to constitute these violations. In my view, due to the aforesaid reasons, under the facts and circumstances of the present case, I find that the allegations of violation of Section 12A(a), (b & (c) of the SEBI Act, 1992 and provisions of PFUTP Regulations, 2003 is not tenable against the Noticees. However, SEBI is at liberty to issue fresh SCN to pursue violations of PFUTP Regulations, 2003 by bringing out specific case/ingredients under PFUTP Regulations, 2003.
20. SCN, also alleges that IGFL has violated Regulations 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii) (3), (6) & (12) of the LODR Regulations. From the discussions above, I find that IGFL, has been found to be in violation of Regulation 30(6) and Regulation 33(1)(d) of the LODR Regulations. Regarding the violations of Regulations 4(2)(f)(ii) (6) & (7) and 4(2)(f)(iii) (3), (6) & (12) of the LODR Regulations, as alleged in the SCN, I find that Regulation 4(2)(f) enlists the responsibilities of board of directors of listed entities. Clause (ii) of Regulation 4(2)(f) deals with key functions of the board of directors and Clause (iii) deals with other functions of the board of directors. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations, is of the board of directors of the listed entity. Therefore, I find that IGFL can not be said to be in violations of Regulation 4(2)(f)(ii) (6) & (7) and 4(2)(f)(iii) (3), (6) & (12) of the LODR Regulations which pertain to obligations of the board of directors.

21. SCN further alleges that IGFL has violated Section 21 of SCRA, 1956. In this regard, I note that Section 21 of SCRA, 1956 provides that where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange. I note that securities of IGFL are listed on BSE. The relevant extract of the two of the conditions, as contained in uniform listing agreement, as mandated by SEBI Circular No. CIR/CFD/CMD/6/2015 dated October 13, 2015, is as under:

“.....1. That the Issuer shall comply with the extant provisions of all the applicable statutory enactments governing the issuance, listing and continued listing of securities.

2. That without prejudice to the above clause, the Issuer hereby covenants and agrees that it shall comply with the following:—

i. the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 and other applicable regulations /guidelines/ circulars as may be issued by SEBI from time to time.

ii. the relevant byelaws / regulations / circulars / notices / guidelines as may be issued by the Exchange from time to time.

iii. such other directions, requirements and conditions as may be imposed by SEBI/Exchange from time to time.....”

22. Above two are the conditions of listing agreement which every issuer company, whose securities are listed on a recognised stock exchange, is required to comply. As can be seen from the above-quoted conditions, one of the condition is compliance with LODR Regulations. In the present case, IGFL is a company whose securities are listed on BSE Ltd. which is a recognised stock exchange and it has signed the uniform listing agreement with BSE Ltd. on February 19, 2016. Therefore, IGFL was bound to comply with the aforesaid conditions of the uniform listing agreement. IGFL has been found to be in violation of the provisions of the LODR Regulations, as discussed above, therefore, IGFL is in violation of

the condition of the listing agreement and hence, is also in the violation of Section 21 of SCRA, 1956.

23. SCN further alleges that by virtue of the provision of Section 27 of the SEBI Act, 1992, Noticee no. 2 to 6, who were the directors of IGFL at the relevant time, are liable for the violations alleged to be committed by IGFL viz: Section 12A (a), (b) and (c) of the SEBI Act, 1992, Regulations 3(b), (c) & (d) and 4(1) and 4(2) (f) & (r) of the PFUTP Regulations, 2003, Regulations 4(2)(f)(ii)(6) & (7), 4(2)(f)(iii)(3), (6) & (12), 30(6) and 33 (1)(d) of LODR Regulations and Section 21 of SCRA, 1956. Thus, SCN imputes all the allegations which are levelled against IGFL, automatically, on the directors of IGFL. As already discussed in the forgoing paras, as regards the violations of Section 12A (a), (b) and (c) of the SEBI Act, 1992, Regulations 3(b), (c) & (d) and 4(1) and 4(2) (f) & (r) of the PFUTP Regulations, 2003, as alleged in the SCN, liberty has been given to SEBI to further investigate and proceed with the matter and the role of directors *qua* these violations may also be examined by SEBI. In the previous paras, it has been found that IGFL was in violation of Clauses 36 and 49 of the erstwhile listing agreement, Regulations 30(6) and 33(1)(d) of LODR Regulations and Section 21 of SCRA, 1956. Therefore, in the context of Noticee no. 2 to Noticee no. 6, it has to be determined whether these Noticees are liable for those violations for which IGFL has been found to be in violation, either by virtue of Section 27 of the SEBI Act, 1992 or otherwise. Regarding applicability of the Section 27 of the SEBI Act, 1992, I note that during the relevant period (i.e. Financial Years 2015-16 to 2017-18), Section 27 provided for the vicarious liability of certain persons who were in charge of and was responsible to the company where an offence is committed by a company. Section 27 at that time did not provide for the vicarious liability in respect of the civil liability of the company arising out of the violations committed by such company. However, after amendments made to Section 27 with effect from March 08, 2019, by the Finance Act, 2018, vicarious liability for civil liability of the company has been introduced by replacing the word

“offence” with the word “contravention” in Section 27 of the SEBI Act, 1992. Therefore, Section 27 of the SEBI Act, 1992, at the relevant time, did not create any vicarious liability of these Noticees for the violations committed by IGFL, with reference to LODR Regulations for which proceedings under Section 11, 11A, 11B and monetary penalty has been proposed, which are civil in nature. Now, the question remains whether these Noticees can be held independently liable for the violations without any reference to vicarious liability under Section 27 of the SEBI Act, 1992. I note that the violations of regulations alleged against these Noticees i.e. Regulation 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii) (3), (6) & (12), create specific and direct liability of the board of directors. As discussed above, Clause (ii) deals with key functions of the board of directors and Clause (iii) deals with other functions of the board of directors. Thus, board of directors is responsible for complying with these principles. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations or otherwise, is fastened on the board of directors of the listed entity. In the previous paras, it has been found that IGFL was in violation of Regulations 30(6) and 33(1)(d) of LODR Regulations and Section 21 of SCRA, 1956. In view of these violations by IGFL, the principles contained in Regulation 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii)(3), (6) & (12) are also violated for which Noticee no. 2, 3, 4, 5 and 6, being part of the board of directors of IGFL are liable.

24. I note that Noticee no. 2 to 6 were the directors of the Company during the period of violations alleged in the SCN, i.e. April 01, 2015 to March 31, 2018. I note that Noticee no. 2 and 5 were the executive directors of the Company, Noticee no. 4 was non-executive director and Noticee no. 3 and 6 were the independent directors. Noticee no. 3 and 6 have contended that they were independent directors of the Company and did not have any day to day control over the affairs of the Company, therefore, they can not be held liable for the violations alleged in the SCN. In this regard, I note that Regulation 4(2)(f) refers to board of directors of

company, it does not make any distinction between independent director or other directors. I further note that during the financial years 2015-16 to 2017-18, the details of audit committee members of IGFL, number of audit committee meetings held and the meeting attended by the concerned directors, are as under:

Financial Year FY 2015-16

Name of the Director	Designation	Number of Meetings held during the year	Number of Meetings attended during the year
Vikash Kedia (Noticee no. 6)	Chairman	4	4
Pritam Kumar Choudhary (Noticee no. 3)	Member	4	2
Anirban Dutta (Noticee no. 5)	Member	4	4

Financial Year FY 2016-17

Name of the Members	Designation Category	Number of Meetings held during the year	Number of Meetings attended during the year
Vikash Kedia (Noticee no. 6)	Chairman	7	7
Pritam Kumar Choudhary (Noticee no. 3)	Member	7	4
Anirban Dutta (Noticee no. 5)	Member	7	6

Financial Year FY 2017-18

Name of the Members	Designation	Number of Meetings held during the year	Number of Meetings attended during the year
Vikash Kedia (Noticee no. 6)	Chairman	6	6
Pritam Kumar Choudhary (Noticee no. 3)	Member	6	6
Anirban Dutta (Noticee no. 5)	Member	6	6

25. Regarding the liability of the independent directors for the acts of commission and omission of a company reference may be made to Regulation 25(5) of the LODR Regulations which provides that an independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations. As discussed in previous paragraphs, the Company has, entered into high value cash transactions without any adequate justification and in defiance of good governance practices. The Company has been found to be in violation of Regulations 30(6) and 33 of LODR Regulations and Clause 36 and 49 of erstwhile Listing Agreement. In respect of the aforesaid violations by the Company, I note that Noticee no. 2 to 6 have already been found to have violated Reg. 4(2)(f)(iii)(3) and 4(2)(f)(iii)(6) of LODR Regulations. I note that Noticee nos. 3 and 6, being the independent Directors of IGFL and being part of the audit committee of IGFL, reviewed the financial statements of IGFL, and approved the financials of IGFL as part of the board of directors of IGFL. Failure to raise any concern regarding the financials of

IGFL, as member of the audit committee as well as the board of directors of IGFL, shows that these directors did not act diligently with respect to the provisions contained in the LODR Regulations. Therefore, the contention raised by Noticee no. 3 and 6 is not tenable.

26. In view of the aforesaid violations committed by IGFL and its directors, I find that directions under Sections 11(1), 11(4), 11A and 11B (1) of the SEBI Act, 1992 and Section 12A (1) of SCRA, 1956, needs to be issued.
27. SCN in the matter, also calls upon the Noticee no. 1 to explain as to why appropriate penalty be not imposed upon it under Sections 15HA and 15HB of SEBI Act, 1992 and Section 23E of SCRA, 1956, for the violations alleged in the SCN. Also, Noticee no. 2 to 6 have been called upon to explain as to why penalty should not be imposed upon them under Sections 15HA and 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956, for the violations alleged in the SCN. Extract of these penalty provisions, as existing at the relevant time is as under:

Extract of Section 15HA and 15HB of SEBI Act, 1992:

Penalty for fraudulent and unfair trade practices.

15HA.If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher

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.

Extract of Sections 23E and 23H of SCRA, 1956:

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.

23E. If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.

Penalty for contravention where no separate penalty has been provided.

23H. Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India 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.

28. From the analysis of the aforesaid penalty provisions, I find that penalty under Section 15HB of the SEBI Act, 1992, only, is attracted and not the penalties under Section 15HA of SEBI Act, 1992 and Sections 23E and 23H of SCRA, 1956. I note that Section 15HA of the SEBI Act, 1992 provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. As in the present case, it has been found that violations of Section 12A(a), (b) & (c) of SEBI Act, 1992 and provisions of PFUTP Regulations, 2003 have not been made out, therefore, penalty under Section 15HA of SEBI Act, 1992 is not attracted against the Noticees. I also note that Section 23E of SCRA, 1956 provides for penalty for failure to comply with, *inter alia*, listing conditions by “a company or any person managing collective investment scheme or mutual fund”. In the present case, it has been found that IGFL is in violation of listing conditions, however, IGFL is not managing any collective investment scheme or mutual fund, so as to attract penalty under Section 23E of SCRA, 1956. I find that penalty under Section 23H of SCRA, 1956 is also not attracted in the case of Noticee no. 2 to 6, as Section 23H provides for penalty for failure to comply with any provision of SCRA, 1956, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by SEBI for which no separate penalty has been provided. As the Noticee no. 2 to 6, being directors of IGFL, have

been found to be in violation of LODR Regulations, which is a regulation framed under the SEBI Act, 1992 and SCRA, 1956 by SEBI and not the “regulation” of stock exchange, as contemplated under Section 23H, and there is no violation of direction of SEBI directions alleged against these Noticees, therefore, Section 23H is not attracted in the case of Noticee no. 2 to 6.

29. I find that for the violation of LODR Regulations, IGFL is liable for imposition of penalty under Section 15HB of the SEBI Act, 1992 which provides for penalty for failure to comply with any provision of SEBI Act, 1992, the rules or the regulations made or directions issued by SEBI for which no separate penalty has been provided. Since, LODR Regulations are framed under SEBI Act, 1992 also and penalty provisions under SEBI Act, 1992 (i.e. 15A to 15HA) does not separately provide for any penalty for violation of LODR Regulations, therefore, for violation of LODR Regulations by IGFL, as found in this order, penalty under Section 15HB is attracted against IGFL. Similarly, Noticee no. 2 to 6 who are the directors of IGFL are liable for imposition of penalty, for the violations of LODR Regulations which are found to be committed by them, under Section 15HB of the SEBI Act, 1992.
30. For imposition of penalty under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act, 1992 provides as follows:

“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.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

31. I find that material available on record does not mention the amount of disproportionate gain or unfair advantage made as a result of the default. I find that the material available on record does not indicate the amount of specific loss caused to investors or group of investors as a result of the default by the Noticees. However, I note that the violations have occurred over a period of three financial years. I also note that Noticee no. 3 and 6 were the independent directors of IGFL.

Directions and monetary penalties:

32. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) of SEBI Act, 1992 and Section 12A(1) of SCRA, 1956 read with Section 19 and Section 11(2)(j) of SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, direct as under:
- (i) The Noticee no. 1, 2 and 5, are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of six (6) months, from the date of coming into force of this order;
 - (ii) The Noticee no. 3, 4 and 6, are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any

manner, whatsoever, for a period of three (3) months, from the date of coming into force of this order;

(iii) The Noticee no. 1 to 6, are hereby imposed with, the penalties, as specified hereunder:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalty Amount (In Rupees)
Noticee no. 1	M/s. Inter Globe Finance Limited	Section 15HB of SEBI Act, 1992	9 Lakh (Nine Lakh)
Noticee no. 2	Mr. Navin Jain	Section 15HB of SEBI Act, 1992	9 Lakh (Nine Lakh)
Noticee no. 3	Mr. Pritam Kumar Choudhary	Section 15HB of SEBI Act, 1992	3 Lakh (Three Lakh)
Noticee no. 4	Ms Seema Gupta	Section 15HB of SEBI Act, 1992	3 Lakh (Three Lakh)
Noticee no. 5	Mr. Anirban Dutta	Section 15HB of SEBI Act, 1992	9 Lakh (Nine Lakh)
Noticee no. 6	Mr. Vikash Kedia	Section 15HB of SEBI Act, 1992	3 Lakh (Three Lakh)

(iv) The Noticees shall remit / pay the said amount of penalties within 45 days from the date of receipt of this order. The Noticees shall remit / pay the said amount of penalties through either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or 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 Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Division Chief, IVD-ID19, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra

Kurla Complex, Bandra (E), Mumbai -400 051” and also to e-mail id:- tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount/ legal charges along with order details)	

33. The obligation of the Noticees, restrained/ prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order, in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.
34. This Order comes into force with immediate effect.
35. This Order shall be served on all the Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

36. A copy of this Order shall also be forwarded to the Ministry of Corporate Affairs and Reserve Bank of India, along with a copy of the Forensic Audit Report for their information.

Sd/-

Date: June 15, 2021

Place: Mumbai

**ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**