

**Member and Core Settlement Guarantee Fund Committee  
("MCSGFC"/"Committee")  
of  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra-Kurla Complex, Bandra East, Mumbai – 400051  
held on April 21, 2023**

**In the matter of the Trading Member M/s. Abhipra Capital Limited**

**CORAM:**

Ms Mona Bhide	- Chairperson
Mr K Narasimha Murthy	- Committee Member
Mr S Ravindran	- Committee Member
Mr Ranganayakulu Jagarlamudi	- Committee Member
Mr Ashishkumar Chauhan	- Committee Member

**ALSO PRESENT:**

Ms Priya Subbaraman	- Chief Regulatory Officer
Dr Dinesh Kumar Soni	- Senior Vice President – Regulatory
Ms Renu Bhandari	- Vice President - Inspection
Mr Shailesh Adukia	- Vice President – Enforcement
Mr Janardhan Gujran	- Vice President – Enforcement

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**BACKGROUND**

1. **M/s. Abhipra Capital Limited ("Noticee")** is a Trading Member registered with the National Stock Exchange of India Limited ("**Exchange**"/"**NSEIL**") and enabled for trading in the Capital Market ("**CM**") segment since November 1995, Futures & Options ("**F&O**") segment since July 2000, and Currency Derivatives ("**CD**") segment since September 2008.
2. The Exchange initiated a forensic audit of the Noticee's books and records. The review period of the audit was from April 1, 2018, to March 31, 2021. Based on the findings of the forensic audit, the Exchange issued a show-cause notice ("**SCN**") to the Noticee dated December 30, 2022, for the observed non-compliances with the regulatory provisions. The Noticee, vide its letter dated January 25, 2023, replied to the SCN.

3. During the forensic audit, the auditors identified several non-compliances with the regulatory provisions. However, at this stage, in the interest of the investors and integrity of the securities market, the Committee deems fit to pass interim directions for the non-compliance pertaining to shortfall in net worth without going into the merits of other non-compliances mentioned in the SCN which shall be dealt subsequently by a separate order.
4. It would be appropriate to refer to the relevant regulatory provision alleged to have been violated by the Noticee. The relevant extract thereof is reproduced hereunder:

#### 4.1 **Shortfall in net worth**

##### Rule 33 of Chapter III of the Rules of the Exchange

##### Continued Admittance

*The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum net worth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.*

### **PAST MCSGFC PROCEEDINGS**

5. The matter was placed before the Committee on the following dates: -

#### 5.1 **March 6, 2023**

- a. The Exchange, vide its email dated February 28, 2023, granted the Noticee with an opportunity for a personal hearing before the Committee. On behalf of the Noticee, Mr. V D Aggarwal – Director and Ms. Deepika Vijay Sawhney – Authorized Representative, attended the personal hearing.
- b. Upon consideration of the written and oral submissions, the Committee directed the Noticee to provide the audited net worth certificate as of March 3, 2023, along with relevant supporting data/documents mentioned below: -

- i. Provisional financials with corresponding supporting trial balances of all divisions along with proper grouping as of March 3, 2023
  - ii. Ageing of debtors of all divisions as of March 3, 2023
  - iii. All bank statements and bank books for the period from June 1, 2022, to March 3, 2023, and bank reconciliation of all banks as of March 3, 2023
  - iv. Ledgers of all parties with loan transactions for the period from June 1, 2022, to March 3, 2023, showing under the head loans and advances, and other current assets
  - v. Detailed break-up of inventories/investments and cash and cash equivalents as of March 3, 2023, along with supporting documents
  - vi. Details of loans taken, and corresponding collateral provided against the same with documentary evidence as of March 3, 2023
  - vii. Any other information/clarification required for completeness of working of net worth
- c. Accordingly, the Exchange, vide its email dated March 6, 2023, informed the Noticee to comply with the aforesaid direction of the Committee within 10 days, i.e. by March 17, 2023, failing which necessary action will be initiated.

## 5.2 March 22, 2023

- a. The Noticee, vide its email dated March 17, 2023, sought an extension of time to submit the aforesaid data/documents within the first week of April 2023 since it is in the process of compiling the ledgers and its staff and auditors are pre-occupied in the year ending account closing works.
- b. While acceding to the request of the Noticee for an extension of time, the Committee directed the Noticee to submit the audited net worth certificate as of March 3, 2023, along with the relevant supporting documents as mentioned in the email dated March 6, 2023, by April 8, 2023.
- c. Accordingly, the Exchange, vide its email dated March 23, 2023, informed the Noticee to comply with the aforesaid direction of the Committee.

- 5.3 The Noticee, vide its email dated April 11, 2023, submitted audited net worth certificate certifying a net worth of Rs.9.36 crores as of March 3, 2023, along with the data/documents as mentioned in the email dated March 6, 2023. The Noticee submitted agreement dated March 22, 2023, executed between the Noticee and M/s. Reliable Data Services Limited (RDSL) for assignment of debts, ledgers of RDSL, computation of the Noticee's net worth as of March 3, 2023.
- 5.4 Upon perusal of the aforesaid data/documents, the Exchange, vide its email dated April 13, 2023, requested the Noticee to submit additional data/documents, viz. client ledgers for all division from April 1, 2022, to March 3, 2023, break-up of doubtful debts and advances as per the net worth as of March 3, 2023. As requested by the Exchange, the Noticee, vide its email dated April 17, 2023, submitted the additional documents. Thereafter, the Exchange, vide its email dated April 19, 2023, sought clarification regarding recovery of debtors as of April 19, 2023, for debtor against sale of shares, and explanation for transactions of sale of unlisted shares of AMSPL and AFSPL. However, the Noticee did not reply to the said email.

### **PRESENT MCSGFC PROCEEDINGS**

6. The Exchange, vide its email dated April 17, 2023, granted the Noticee with an opportunity for a personal hearing before the Committee. On behalf of the Noticee, Mr. V D Aggarwal – Director and Ms. Deepika Vijay Sawhney – Authorized Representative, attended the personal hearing and made the following oral submissions:

The Noticee executed an agreement dated March 22, 2023, with RDSL for assignment of debts amounting to Rs.9.06 crores as of February 28, 2023, for a consideration of Rs.8 crores to RDSL. The Noticee received Rs.1.25 crores from RDSL as of date and the remaining amount will be received by the end of May 2023. The recovery of debts will continue with joint efforts of the parties.

7. The Exchange, vide its email dated April 24, 2023, sought clarification from the Noticee with respect to whether RDSL is an asset reconstruction company (ARC) registered with Reserve Bank of India (RBI), details of primary business /category of company registration of RDSL, stamping/franking details of the agreement,

board resolution of the parties to the agreement, ledger/supporting reflecting receipt of Rs.50 lakhs as per the agreement.

8. The Noticee, vide its email dated April 27, 2023, provided clarification as under:
- a. RDSL is a company incorporated in 2001. It is in the business of field collection, processing support and other back-end activities. It has more than 2,500 employees. RDSL uses technology along with feet on street employees for solutions/collection for its clients. With respect to registration as ARC with RBI, RDSL is not working as an ARC and therefore is not registered with RBI. The arrangement is in the nature of invoice discounting/assignment of debtors and not securitization of assets. It is a purely commercial agreement wherein both the parties are benefitting commercially.
  - b. The agreement dated April 22, 2023, and supplementary agreement dated April 25, 2023, are duly executed on the stamp paper of Rs.100/- as per applicable provisions of Delhi Stamp Act.
  - c. The Noticee provided the copies of supplementary agreement dated April 25, 2023, board resolution, and the ledger of RDSL in the books of the Noticee.

## **OBSERVATION/VIOLATION & REPLY**

### **9. Shortfall in net worth**

9.1 Upon verification of the net worth certificate submitted by the Noticee, certifying a net worth of Rs.20.95 crores vis-a-vis the balance sheet as of March 31, 2021, it is observed that the Noticee incorrectly considered the doubtful debts and advances while computing the net worth. After considering the value of the doubtful debts and advances based on various factors, viz. non availability of ageing for outstanding receivables as per trial balance, tally and/or any other accounting software backup, etc. the net worth of the Noticee stood revised at (-ve) Rs.1 crore.

9.2 In reply to the SCN, the Noticee submitted as under: -

As per the Exhibit 6 of the SCN, the assets amounting to Rs.24.35 crores are treated as doubtful debts and advances and deducted while calculating the net worth. Such deduction is erroneous and should be reconsidered basis the following submissions:

- a. While calculating the net worth, the doubtful debts and advances are exorbitantly raised from Rs.1.59 crores to Rs.24.35 crores. The SCN and Exhibit 6 is silent about the basis of the figure Rs.24.35 crores.
- b. During the forensic audit, the auditor Ernst and Young calculated the net worth as Rs.11.62 crores, and vide its email dated April 21, 2022, sought clarification. The Noticee, vide its email dated April 27, 2022, addressed the query. It is surprising as to how and on what basis the net worth is revised to (-ve) Rs.1 crore in the SCN. The Noticee provided copies of the emails dated April 21, 2022, and April 27, 2022, to the Exchange.
- c. The contention that the alleged violation is erroneous and without basis of deducting Rs.24.35 crores can be substantiated from the fact that the auditor's own observation differs in terms of what was stated by the auditor in its email dated April 21, 2022, vis-à-vis the observation in the SCN. Before alleging the shortfall and deducting Rs.24.35 crores, the Noticee was not provided an opportunity to explain or justify. Hence, the allegation is influenced by the opinion of the Exchange who conducted subsequent limited purpose inspection from November 2021 to September 2022 and reconstructed doubtful debts and advances after considering the debits in the depository divisions and loans provided by the Noticee to the non-associated entities.
- d. The debtors of the depository division which are disallowed being more than 3 months old are fully secured against the deliveries lying in the demat account worth more than Rs.9,000/- crores. Further, there is no contingency involved regarding these debtors turning bad or doubtful.
- e. Furthermore, the report also includes loans advanced to various entities which do not form part of the associate entities. In this regard, it is pertinent to note that the amounts are advanced to entities other than the associate entities. In terms of Schedule VI of SEBI (Stock Broker and Sub Broker) (Second Amendment) Regulations, 2013, read with Exchange Circular No. NSE/COMP/47555 dated March 8, 2021, loans and advances, etc. to associates including subsidiaries/group companies of the Noticee, irrespective of the time period shall be considered.
- f. "Associate" shall have the meaning as per the definition provided under SEBI (Intermediaries) Regulations, 2008. Accordingly, associate entity means any person controlled, directly or indirectly, by the intermediary, or any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such

intermediary, and where such intermediary is a natural person will include any relative of such intermediary and where such intermediary is a body corporate will include its group companies (as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (Act No. 54 of 1969) or any re-enactment thereof) or companies under the same management.

- g. It is explicitly evident from the aforesaid provision that only loans and advances to associate entities are disallowed to be considered while calculating the net worth and not all loans. In the instant matter, the loans are not advanced to any of the associate entities and thus cannot be disallowed. Further, fully secured debtors (on account of security deposit held with the Noticee) cannot be treated as doubtful merely on account of the debt being 3 months old.
- h. Since audit, the Noticee reduced its depository debts and loans/advances by Rs.1.13 crores and Rs.5.31 crores, respectively. The Noticee provided a copy of the clarification sent to the Exchange. The Noticee provided net worth certificate as of March 31, 2021, certified by auditor CA Mayank Maheshwari duly certifying adequate net worth of the Noticee.

## **CONSIDERATION & FINDINGS**

- 10. The Noticee entered into an agreement with RDSL for assignment of business debts amounting to Rs.9.06 crores as of February 28, 2023, for a consideration of Rs.8 crores to RDSL on March 22, 2023. Thereafter, the Noticee entered into a supplementary agreement dated April 25, 2023, with RDSL for deletion of clause "total amount payable to the Assignor by the Assignee shall be reduced by the amount not recoverable."
- 11. The Committee notes that the aforesaid agreement dated March 22, 2023, is for collection of debts from the clients of the Noticee. There is no notice given to the clients for change of creditors. Hence, the said agreement can only be considered as an arrangement to collect the debts. Furthermore, since RDSL is not registered as an ARC with RBI, it is not eligible for exemption of stamp duty. The said agreement is executed in Delhi. Hence, the provisions of Delhi Stamp Act would be applicable. The requisite stamp duty required for the deed of assignment is not paid by the parties. The parties have executed the agreement on a Rs.100/- stamp paper. As per the Stamp Act applicable to Delhi, for assigning unsecured debts, the stamp duty payable is 5% of the consideration. In view of the above, it is observed that the aforesaid agreements executed

between the Noticee and RDSL are an afterthought against the observations made by the Exchange.

12. The revised net worth of the Noticee is (-ve) Rs.8.47 crores as of March 3, 2023. The details are as under: -

*(Rs in lakhs)*

Particulars	Net worth as per Noticee	Net worth as per the Exchange	Difference
Capital	865.00	865.00	
Free reserves*	1,935.50	1,555.82	<b>379.68</b>
<b>Total (A)</b>	<b>2,800.50</b>	<b>2,420.82</b>	
Less: Non-allowable assets			
(a) Fixed assets	104.90	104.90	
(b) Pledged securities	-	-	
(c) Member's card	82.50	82.50	
(d) Non-allowable securities (unlisted securities)	-	-	
(e) Bad deliveries	-	-	
(f) Doubtful debts and advances**	<b>1,577.20</b>	<b>2,980.74</b>	<b>1,403.54</b>
(g) Prepaid expenses, losses	1.93	1.93	
(h) Intangible assets	53.01	53.01	
(i) 30% of marketable securities	44.64	44.64	
<b>Total (B)</b>	<b>1,864.18</b>	<b>3,267.72</b>	
<b>Net worth (A-B)</b>	<b>936.32</b>	<b>(846.91)</b>	

\*Free reserves

Sr. No.	Particulars	Amount	Remark
1	Pro Skill and GSP division	Rs. 3.80 crores  (Revenue from GSP division – Rs. 3.80 crores)	Upon verification of sample ledgers of debtors (18 parties) for Pro Skill and GSP division (undertaken activities not related to securities market), it is observed that the Noticee posted multiple journal voucher entries for retainer service in December 2022 which were reversed on January 1, 2023. The Noticee posted fresh bills on March 1, 2023. The total debtors

			<p>amount to Rs.2.21 crores as of March 3, 2023.</p> <p>Prima facia, it appears that such retainership fees/earnings do not appear to be related to the securities market. The Noticee booked its other business/profession income in its books to inflate its reserves and surplus. The total earnings from the said division amounts to Rs.3.80 crores as per the provisional balance sheet.</p>
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**\*\*Doubtful debts and advances**

Sr. No.	Particulars	Amount	Remark
1	RDSL	Rs.8 crores	The Noticee had long outstanding debtors (16,839 clients) amounting to Rs.9.06 crores in the depository division as of February 28, 2023. The Noticee did not deduct such long outstanding debtors while calculating the net worth as of March 3, 2023. The Noticee assigned these debtors to a third party, i.e. RDSL, at a consideration of Rs.8 crores.
2	Amnos Lifescience Private Limited	Rs.3.70 crores	The Noticee showed the security deposit against property to Amnos Lifescience Private Limited amounting to Rs.3.70 crores as other non-current assets.
3	Debtors of business division	Rs.2.35 crores	<p>The debtors (108 parties) of the business division show "debtor against sale of share" amounting to Rs.2.35 crores as of March 3, 2023. The sample ledgers of 37 debtors indicate that such debit balance was created by selling various unlisted shares, including AMSPL and AFSPL, during January 2023. The value of unlisted shares was Rs.0.96 crore as of March 31, 2022.</p> <p>Despite email dated April 19, 2023, issued by Exchange, the Noticee did not</p>

			<p>provide an explanation for transactions of sale of unlisted shares of AMSPL and AFSP (which were not reflected in holding as of March 31, 2022). Furthermore, the Noticee did not provide the details of recovery of debtors of unlisted shares amounting to Rs.2.35 crores.</p> <p>Prima facie, it appears that the Noticee tried to camouflage such illiquid assets to avoid deduction from the net worth.</p>
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In view of the above, it is observed that the Noticee violated the provisions of Rule 33 of Chapter III of the Rules of the Exchange for continued admittance by failing to maintain the minimum net worth of Rs.3 crores prescribed by the Exchange.

### **DECISION**

13. Accordingly, the Committee issued the following interim direction:

The trading terminals of the Noticee shall be disabled in all segments with immediate effect till further direction.

Sd/-  
Mona Bhide  
(Chairperson)

Sd/-  
K Narasimha Murthy  
(Committee Member)

Sd/-  
S Ravindran  
(Committee Member)

Sd/-  
Ranganayakulu Jagarlamudi  
(Committee Member)

Sd/-  
Ashishkumar Chauhan  
(Committee Member)

Date: May 26, 2023