

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

In the matter of Religare Enterprises Limited

In respect of:

Sr. No.	NOTICEE(S)	PAN
1.	Religare Enterprises Limited	AAACV5888N
2.	Religare Finvest Limited	AAFCS6801H
3.	OSPL Infradeal Private Limited	AABCO8558K
4.	Bharat Road Network Limited	AADCB0921B
5.	Platinum Infrastructure Pvt. Ltd.	AAFCP4197D
6.	Ad Advertising Pvt. Ltd.	AAJCA3551C
7.	Artifice Properties Pvt. Ltd.	AAGCA5140E
8.	Best Health Management Pvt. Ltd.	AACCB3144P
9.	Devera Developers Pvt. Ltd.	AADCB1809L
10.	Vitoba Realtors Pvt. Ltd.	AAACV5887D
11.	Fern Healthcare Pvt. Ltd.	AACCR3509E
12.	Modland Wears Pvt. Ltd.	AAACM0216F
13.	Rosestar Marketing Pvt. Ltd.	AAFCR2252M
14.	Star Artworks Pvt. Ltd.	AAVCS7590R
15.	Tripoli Investment & Trading Co.	AAACT2207P
16.	Volga Management and Consultancy Pvt. Ltd.	AATPS0941B
17.	Zolton Properties Pvt. Ltd.	AAACZ2996D
18.	Religare Comtrade Limited	AAECR8405P
19.	RHC Holding Private Limited	AAKCS7686P
20.	Ranchem Private Limited	AAACR6356G
21.	ANR Securities	AADCA7654E

22.	Shivi Holdings Private Limited	AAACO2664H
23.	Malav Holdings Private Limited	AADCM1170B
24.	Malvinder Mohan Singh	AABPS2552G
25.	Shivinder Mohan Singh	AAKPS4318M

BACKGROUND:

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) passed an ad interim *ex-parte* order dated March 14, 2019 read with corrigendum dated April 18, 2019 (together referred to as ‘the Interim Order’) in the matter of Religare Enterprises Ltd. against Religare Enterprises Ltd. (REL), Religare Finvest Ltd. (RFL), OSPL Infradeal Pvt. Ltd. (OSPL), Bharat Road Network Ltd. (BRNL), Platinum Infrastructure Pvt. Ltd., Ad Advertising Pvt. Ltd., Artifice Properties Pvt. Ltd., Best Health Management Pvt. Ltd. (Best), Devera Developers Pvt. Ltd. (Devera), Vitoba Realtors Pvt. Ltd. (Vitoba), Fern Healthcare Pvt. Ltd. (Fern), Modland Wears Pvt. Ltd. (Modland), Rosestar Marketing Pvt. Ltd., Star Artworks Pvt. Ltd., Tripoli Investment & Trading Co., Volga Management and Consultancy Pvt. Ltd., Zolton Properties Pvt. Ltd., Religare Comtrade Ltd., RHC Holding Pvt. Ltd. (RHC Holding), Ranchem Pvt. Ltd. (Ranchem), ANR Securities, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Malvinder Mohan Singh and Shivinder Mohan Singh (collectively referred to as ‘the Noticees’) for the alleged *prima facie* violation of the 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 the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations, 2003) and various provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) and the Listing Agreement. Vide the Interim Order, the following directions were issued against the Noticees:

- i. REL and RFL (i.e. Noticee nos. 1 & 2) shall initiate steps to recall all the loans, amounting to Rs.2315.09 Crores (approx.), as specified in the Interim Order, extended, either directly or indirectly, to the Noticee nos. 3 to 25 (viz. OSPL Infradeal Private Limited, Bharat Road Network Limited, Platinum Infrastructure Pvt. Ltd., Ad Advertising Pvt. Ltd., Artifice Properties Pvt. Ltd., Best Health Management Pvt. Ltd., Devera Developers Pvt. Ltd., Vitoba Realtors Pvt. Ltd., Fern Healthcare Pvt. Ltd., Modland Wears Pvt. Ltd., Rosestar Marketing Pvt. Ltd., Star Artworks Pvt.

Ltd, Tripoli Investment & Trading Co, Volga Management and Consultancy Pvt. Ltd, Zolton Properties Pvt. Ltd, Religare Comtrade Limited, RHC Holding Pvt Ltd , Ranchem Pvt. Ltd , ANR Securities, Shivi Holdings Pvt. Ltd, Malav Holdings Pvt. Ltd, Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh), along with due interest, within three months of the date of the order.

- ii. The Noticees nos. 3 to 25 shall, pending completion of the investigation and till further orders, not dispose of or alienate any of their assets or divert any funds, except for meeting expenses of day-to-day business operations, without the prior permission of SEBI.*
- iii. The Noticees nos. 24 and 25 (viz: Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh) shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions.*

FACTS OF THE CASE:

- 2. The facts of the case, preceding the issuance of the Interim Order, are reproduced below briefly, in para 3 to 8 of this order, for convenience of recollection.
- 3. SEBI received complaints, *inter alia*, alleging financial mismanagement and diversion of funds in RFL, a subsidiary of REL, a listed company, for the benefit of promoters / group companies of REL. The same alleged *inter alia* the following:
 - (a) RFL had not complied with its Board approved investment policy with respect to fixed deposits (“FDs”)
 - (b) Investment by RFL in Non-Convertible Debentures (“NCDs”) of OSPL Infradeal Private Limited (hereinafter referred to as “OSPL”) amounting to Rs. 200 Crores was allegedly not consistent with the Board approved investment policy of RFL and that the transaction had been designed to facilitate back-to-back borrowing by and for the benefit of the Promoters and group entities of REL and the recorded recipients of funds were merely a facade for REL’s promoters and their agents.

- (c) There was no approval or documentation with respect to corporate loan given by RFL to Bharat Road Network Limited (hereinafter referred to as “BRNL”) amounting to Rs.50 Crores and the said loan was of dubious quality.
 - (d) On January 27, 2017, RBI had issued a letter to RFL in respect of its Corporate Loan Book (“CLB”) for the FY 2014-15 wherein it *inter alia* expressed concern about inefficient credit appraisal methodologies adopted by RFL to advance loans to group companies with weak financial standing and about improper practices followed by RFL’s use of accounts of various borrowers to route the funds to group companies.
 - (e) The recipient of aforesaid loans in the CLB given by RFL were allegedly not the actual users of loans and that they were primarily used as vehicles for usage of the funds by others as well as by various group companies of the promoters of REL. Further, the auditors of REL viz. PricewaterhouseCoopers (PwC) had qualified their opinion on the financials of REL for FY 2016-17 highlighting the amounts doubtful of recovery to the tune of Rs.1,846 Crores and the aforesaid concerns of the RBI.
4. Pursuant to receipt of the abovementioned complaints, SEBI appointed MSA Probe Consulting Pvt. Ltd. (“MSA”) as a Forensic Auditor on May 10, 2018 to examine the alleged diversion of funds from REL/ its subsidiaries for the benefit of promoter / promoter connected entities.
5. MSA submitted its final report in the matter of REL/RFL on December 12, 2018 (hereinafter referred to as “The audit report”). A summary of the major findings of MSA are as under:

(A) *Diversion of Funds through fixed deposits with Lakshmi Vilas Bank (LVB) of Rs. 750 Crores:-*

RFL had placed Rs. 750 Crores (approx.) as fixed deposits (FDs) with LVB. However, the same did not appear as normal business transaction. Subsequently, LVB had utilized these FDs against outstanding multiple loans amounting to Rs. 729.13 Crores given by LVB to Ranchem Private Limited (“Ranchem”) and RHC Holding Private Limited (“RHC Holding”) which were the promoter group entities of REL. These loans were utilized by RHC Holding to pay off its debts to multiple

entities and for internal purposes, indicating that RHC Holding was the ultimate beneficiary of the loans of Rs. 729.13 crores.

(B) Investment by RFL in Non-Convertible Debentures (NCDs) of OSPL Infradeal Private Limited (OSPL) of Rs. 200 Crores and Corporate Loan given to Bharat Road Network Limited (BRNL) of Rs. 50 Crores

- (a) RFL had made investment of Rs. 200 Crores in the NCDs of OSPL on December 14, 2016 and on the same day a corporate loan amounting to Rs. 50 Crores was also given by RFL to BRNL. Both OSPL and BRNL are entities backed by SREI Infrastructure Ltd. (SREI). As a back to back loan transaction, SREI gave loan of Rs.250 Crores to RHC Holding, routed through Torus Buildcon Pvt. Ltd. (Torus Buildcon) on the same day i.e. on December 14, 2016. This was done as RHC Holding was required to obtain funds amounting to Rs. 250 crore from RFL for repayment of its debt. Upon receipt of funds from SREI, Torus Buildcon had transferred the same to RHC Holding and Religare Corporate Services (a promoter controlled entity) through ANR Securities, Ranchem and Rosestar Marketing Pvt. Ltd. (Rosestar) on December 14, 2016 itself. Out of the said amount, RHC utilized Rs.230.90 Crores for paying its debts and for miscellaneous purposes.
- (b) At the end of the loan tenure, i.e. on December 14, 2017, RHC Holding was unable to service its loan taken through Torus from SREI. Consequently even SREI did not repay the loan it had taken from RFL in the books of BRNL & OSPL.

(C) Corporate Loan Book of RFL in respect of which the Reserve Bank of India (RBI) made adverse comments and Investment in Commercial Papers of Religare Group Companies and Promoter Group Companies

- (a) RFL had given unsecured loans to a number of entities under its Corporate Loan Book (CLB), in respect of which RBI had raised concerns vide letter dated January 27, 2017. While RFL in its reply to RBI, dated February 20, 2017, had stated that it would reduce the CLB portfolio by Rs. 100 Crores in the first quarter of F.Y. 2017-18, it was observed that RFL's CLB exposure had actually increased from Rs. 1,846 Crores as on March 31, 2017 to Rs. 2,517 Crores as on October 31, 2017. In this

regard, REL submitted the following list of entities from whom loans were outstanding under the CLB of RFL:-

Table 1: List of entities from whom loans were outstanding under the Corporate Loan Book of RFL:-

Sl. No.	Borrower Name	Principal O/s as on May 31, 2018 (Rs. In Crores)	Borrower contact person - provided by REL
1	Religare Comtrade Ltd.	125.00	REL Group Company
2	A & A Capital Services Pvt. Ltd.	100.00	Mr. Narendra Goushal
3	Abhiruchi Distributors Pvt. Ltd.	92.40	
4	Annies Apparel Pvt. Ltd.	100.00	
5	Gurudev Financial Services Pvt. Ltd.	100.00	
6	Tara Alloys Ltd.	85.00	
7	Platinum Infrastructure Pvt. Ltd.	109.30	Mr. Sandeep Shukla
8	Ad Advertising Pvt. Ltd.	100.00	Mr. Sanjay Gupta / Mr. Sanjeev Singhal
9	Artifice Properties Pvt. Ltd.	165.00	
10	Best Health Management Pvt. Ltd.	40.00	
11	Devera Developers Pvt. Ltd.	40.00	
12	Fern Healthcare Pvt. Ltd.	150.00	
13	Modland Wears Pvt. Ltd.	155.00	
14	Rosestar Marketing Pvt. Ltd.	150.00	
15	Star Artworks Pvt. Ltd.	150.00	
16	Torus Buildcon Pvt. Ltd.	5.00	
17	Tripoli Investment & Trading Company	150.00	
18	Vitoba Realtors Pvt. Ltd.	35.00	
19	Volga Management and Consultancy Pvt. Ltd.	150.00	
20	Zolton Properties Pvt. Ltd.	160.00	
21	Religare Enterprises Ltd.	185.50	REL Group Company
22	Bharat Road Network Ltd.	50.00	Mr. Bajrang Choudhary
	Total	2,397.20	

- (b) In respect of loan to BRNL for which Mr. Bajrang Choudhary was mentioned as contact person, as appearing at sl. no. 22 in the above Table, the same has already been discussed in para 5(B) above in the order. Further, in respect of loans to Companies for which Mr. Narendra Goushal was mentioned as contact person, the same are still under detailed examination.

- (c) As regards the loans given by RFL to companies where Mr. Sanjay Gupta / Mr. Sanjeev Singhal and Mr. Sandeep Shukla have been mentioned as contact person, the same had a total principal outstanding of Rs.1,559.30 Crores as on May 31, 2018 from 14 entities (entity wise figures can be seen in the Table 1 above, at sl. nos. 7 to 20). In respect of the same, it was observed that there were ongoing transactions wherein loans were given by RFL to aforementioned entities, which were ultimately utilized by/benefitted the promoter entities of RFL/REL for varied purposes. Further, all these entities were seen to have followed a similar *modus operandi* of transferring the proceeds of their respective loans to promoter group companies of RFL/REL, through loans and repayments transactions in a circuitous manner. Pursuant to examination of the said loans where Mr. Sanjay Gupta/ Mr. Sanjeev Singhal and Mr. Sandeep Shukla were contact persons, the audit report concluded that Rs. 1,260.96 Crores of loans given by RFL were ultimately utilized by/benefitted the promoter entities of RFL/REL for varied purposes the details of which are as follows:-

Table 2:Ultimate Utilisation/beneficiary of loans where Mr. Sanjay Gupta/ Mr. Sanjeev Singhal and Mr. Sandeep Shukla was contact person

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation	
			Amount (Rs. In Crores)	Ultimate beneficiary and Utilisation
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00	RHC Holding:- used for debt payment to multiple MFs on 27 th Dec. 2016 (Balance is interest on roll-over of loan.)
2	Ad Advertising Pvt. Ltd.	100.00	100.00	RHC Holding:- used for debt payment to multiple MFs. on 25 th Feb. 2016
3	Artifice Properties Pvt. Ltd.	165.00	74.48	RHC Holding :- used for debt payment to multiple MFs in the books of A1 Book Company on 06 th Sept 2016
4	Best Health Management	40.00	115.00	RHC Holding:- used for debt payment to multiple MFs in the books of A1 Book Company on 23 rd March 2016
	Devera Developers	40.00		
	Vitoba Realtors	35.00		

5	Fern Healthcare Pvt. Ltd.	150.00	125.00	RHC Holding:- used for debt payment to multiple MFs on 25 th Feb. 2016 (Balance is interest on roll-over of loan and for interest payment on account of loan given RFL to Rosestar, Modland and Zolton)
6	Modland Wears Pvt. Ltd.	155.00	10.00	RHC Holding :- used, for debt payment to multiple MFs in the books of A1 Book Company on 07 th Sept. 2016
7	Rosestar Marketing Pvt. Ltd.	150.00	150.00	RHC Holding:- used for debt payment to multiple MFs in the books of A1 Book Company on 10 th Feb. 2016
8	Star Artworks Pvt. Ltd.	150.00	150.00	RHC Holding :- used for debt payment to multiple MFs.
9	Tripoli Investment & Trading Co.	150.00	150.00	RHC Holding:- used for debt payment to multiple MFs on 25 th Feb. 2016
10	Volga Management and Consultancy Pvt. Ltd.	150.00	100.00	RHC Holding, used for debt payment to multiple MFs on 25 th Feb. 2016
			26.48	Paid to promoter group companies (Best and Fern) on 30 th June 2017, balance used to pay interest back to RFL for loans given to multiple companies.
11	Zolton Properties Pvt. Ltd.	160.00	150.00	RHC Holding:- used for bond payment through NSE on 05 th Sept. 2016
			10.00	ANR Securities (belonging to the promoter group):- used to settle loan with REL.
	Total	1,559.30	1260.96	

- (d) As regards the outstanding loans pertaining to Investment in Commercial Papers of Religare Group Companies and Promoter Group Companies, as mentioned at sl. nos. 1 and 21 in the Table 1 above, the principal outstanding in respect of the same stood

at Rs.310.50 Crores as on May 31, 2018. Their ultimate utilization, as observed during the audit, was as follows:-

Table 3: Ultimate utilisation of loans given to Religare Group

Sl. No.	Borrower Name	Principal O/s as on May 31, 2018 (Rs. in Crores)	Ultimate utilisation
1	Religare Comtrade Ltd.	125.00	Rs. 75 Crores had been transferred by RCL to REL and thereafter REL transferred money to RHC Holding through ANR Securities , which had been utilised to make payments to India Bulls Mutual Fund.
			Rs. 30 Crores had been transferred by RCL to REL and REL utilised that money to pay of loan taken by REL for capitalisation of RCML.
			Rs. 20 Crores had been transferred by RCL to REL and the same had been utilised by REL for subscription of Right Issue of RHICL.
2	Religare Enterprises Ltd.	185.50	Rs. 12 Crores were used by REL for subscription of Religare Health Insurance Company Ltd amounting to Rs 13.52 Crores on 31 st March 2017 and subsequently, the amount was rolled over.
			Rs. 13.50 Crores had been utilised by REL for subscribing to Religare Health Insurance Company Ltd. Right Issue on 31 st August 2017.
			Rs. 160 Crores had been utilised by REL for payment of NCD Maturity amount of Rs 154.62 Crores to Standard Chartered Bank on 30 June 2017. The NCDs were taken for subscription of Preference Share in Religare Capital Market Ltd for Rs 545 Crores.

- (e) Thus, the audit report has noted that out of total loans mentioned at Table 3 above, an amount of Rs. 75 Crores was ultimately utilized by RHC Holding for making payments to Mutual Funds.

6. Based on the above, it was observed that funds amounting to Rs. 2315.09 Crores had been diverted from the books of RFL for the utilization of promoters and promoter group entities of REL. The details of the same are as follows:-

Table 4: Details of funds diverted from the books of RFL

Sr. No.	Particulars	Loan amount (Rs. in Crores)
1	FDs with LVB	729.13
2	Loan to OSPL and BRNL	250
3	Loans where Sanjay Gupta/ Mr. Sanjeev Singhal and Mr. Sandeep Shukla were contact persons	1260.96
4	REL Group Entities	75.00
	Total	2315.09

7. It was noted that as on March 31, 2018, REL held 85.64 % share capital in RFL. Further the audit report stated that the investment by REL in RFL amounting to Rs. 2090.34 Crores comprises 89.78% of the net worth of the REL [as the total standalone net-worth (aggregate of Share Capital and Reserves & Surplus) of REL as on 31st March 2018 was Rs. 2328.22 Crores]. Thus, in view of significant shareholding of REL in RFL, the aforesaid diversion of funds from RFL would have a significant adverse impact on the shareholders of REL which is a listed entity. Further, it is noted that though the funds had moved from RFL to RHC Holding and other promoter related entities, viz. RHC Holding, Ranchem and ANR Securities, the ultimate beneficiaries of such fund diversion *prima facie* were Shri Shivinder Mohan Singh and Shri Malvinder Mohan Singh as the aforesaid entities were jointly being controlled by Shri Shivinder Mohan Singh and Shri Malvinder Mohan Singh through Shivi Holdings Pvt. Ltd. and Malav Holdings Pvt. Ltd. respectively.
8. In view of the above, it *prima facie* appeared that the Noticee nos. 1 to 25, by indulging in diversion of funds to the tune of Rs.2315.09 Crores (approx.) from RFL, a subsidiary of a listed company (i.e. REL), for the ultimate benefit of the promoters and their related entities, have violated the 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 the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations,

2003). Further, the non-disclosure of funds routed by RFL, through unrelated entities for the benefit of promoters and promoters group entities, in the books of REL was to circumvent the provisions of Listing Agreement (including Clause 32 of Listing Agreement) and Regulation 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, misrepresentation of financial position by rolling over the loans as specified above, REL has also violated Regulations 4(1)(b), (c), 30(1), 51(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

REPLIES AND PERSONAL HEARINGS AND CONSIDERATION:

9. On the Interim Order being duly served upon the Noticees by Registered Post AD/ affixture/ newspaper publication, several Noticees have submitted their respective replies. Personal hearings were scheduled for the Noticees on May 15, 2019 (for Noticee No. 1 and 2), June 21, 2019 (for Noticee nos. 3 to 25), July 11, 2019 (for Noticee nos. 5 to 21, 23 & 24) and August 28, 2019 (for Noticee nos. 6 and 7). The submissions made by various Noticees vide their respective letters and during the personal hearing are summarized below.
10. REL and RFL (Notice no. 1 & 2) vide letters dated April 03, 2019, April 17, 2019, May 22, 2019 and July 09, 2019 and during personal hearings held on May 15, 2019 submitted *inter alia* the following:
 - (a) RFL has been taking active steps for recovery of all its dues, including initiation of recovery proceedings before the Hon'ble NCLT.
 - (b) There is currently no connection between REL/RFL and the Singh Brothers (i.e. Malvinder Mohan Singh and Shivinder Mohan Singh) who were erstwhile promoters. The shareholding of Singh Brothers in REL has been reduced to 1.04% as on March 31, 2019. REL and RFL are currently managed by independent and professional directors and the boards are completely revamped. Thus, it is incorrect to continue to categorise RFL as promoter related entity.
 - (c) REL and RFL have also initiated criminal proceedings against the Singh Brothers. The new boards of REL and RFL are reviewing all the records and documents and the process is still underway. Hence, they would not be in a position to file comprehensive reply to the allegations in the Interim Order. However, as a preliminary objection, they submit that the

allegations against them have been made based on the report of forensic auditor, rather than SEBI's own investigation in the matter.

- (d) The Interim Order in the instant matter and the orders passed in the matter of Fortis Healthcare Limited suffer from inconsistencies even though same forensic auditor was involved. In the Religare matter, RFL has been directed to recover Rs.2,315 Crores from various entities including three entities. However, in the Fortis Order, the same three entities were mentioned as being the lenders to whom RFL allegedly owed Rs.200 Crores.
- (e) SEBI should direct the entities named in the Interim Order to pay the amount specified therein to REL and RFL, in a manner similar to the Fortis matter.
- (f) LVB has illegally liquidated FDs of RFL of Rs.750 Crores kept with it. No lien or security was created on the FDs, which is clearly recorded by the forensic auditor. The auditor has also recorded that FDs were not placed in the normal course of business. It appears that officials of LVB and RHC Holding had colluded and diverted the funds to the tune of Rs. 750 Crores which belongs to RFL and that LVB was hand in glove and was complicit in as much as the FDs of RFL were adjusted towards the loan borrowings of another two companies in the absence of any instructions or any specific lien or any security created by RFL in this regard.
- (g) In July, 2017, LVB made an unsuccessful attempt of adjusting the FDs towards the dues of loan borrowings of the erstwhile promoter entities. However, after protest and legal notice from RFL, LVB reinstated the FDs with interest and claimed that it was a mistake on the part of LVB because of some errors.
- (h) The erstwhile promoters of REL/RFL and LVB were acting in concert to adjust the FDs towards the loan given by LVB to the said promoter entities as both LVB and the borrowers were aware that the borrowers would never repay the loan and the loan would be recovered from the FDs. There was no documentation ever created towards any security or lien over the FDs for the loan borrowings as mentioned above. Therefore, for the first time, on February 9, 2018, LVB requested RFL to execute the security documents which could have been done at the instance of the borrower companies. This was the time when the promoter shareholding in REL had dropped to around 3%. RFL refused to execute the documentation sought and informed LVB that the FDs were never placed as security. This was clarified again to LVB and also the earlier instance of issuance of legal

notice was reminded. LVB yet persisted to create the documents which essentially were to show a back dated execution of the documents to create security for the loan.

- (i) Singh Brothers resigned from the board of directors of REL by February 14, 2018. LVB, without any intimation adjusted the FDs with the loan borrowing and it was only on April 24, 2018 that LVB informed RFL's auditor about 'adjustment' of the FDs towards loans of RHC Holdings and Ranchem.
- (j) On account of the aforesaid illegal misappropriation of the FDs, RFL filed a Civil Suit in the High Court of Delhi. In reply, LVB pleaded that while no security documentation was executed to create an encumbrance on the FDs, the FDs were encumbered by conduct to secure the outstanding dues of RHC Holdings and Ranchem. In its reply LVB deliberately obfuscated the distinction between RFL, Ranchem and RHC Holdings and pleaded that all the three entities be treated as one single entity since they were controlled by the Singh Brothers. The absence of documentation coupled with deliberate obfuscation of entities in LVB's pleadings points to a collusion between LVB and Singh Brothers. At the very least, LVB was negligent and has caused loss to RFL and thus to the public shareholders of REL.
- (k) While SEBI has directed RFL to recover dues from RHC Holdings and Ranchem (on account of misappropriation of the FDs), SEBI did not issue any directions against LVB to repay the amount of FDs which rightfully belong to RFL. LVB was a part of the complicit and misappropriated the funds belonging to the public shareholders, whereas RFL has no privity of contract with RHC Holdings or Ranchem since no security was created on the FDs. However, the Interim Order did not contain any findings against LVB without whom the funds could not have been misutilized. LVB has now placed on record the Exparte Order to claim that LVB was never involved in any misappropriation. Consequently, it is requested that recovery action be directed against LVB as well (in addition to RHC Holdings and Ranchem) for misappropriation of the FDs.
- (l) As regards the CLB of RFL over which RBI made adverse comments, the same are still being reviewed and analysed by the current management. As on October 31, 2018, the dues owed to RFL underlying the loan transactions whereby the borrowers have defaulted in making the payment stand at approximately Rs. 2,087 Crores and the present management is taking active steps to recover these funds from the borrowers.

- (m) RFL is a victim of what had transpired in the company when it was under the control of the Singh Brothers. Huge funds were given as loans to borrowers by RFL and several rounds of financing and re-financing done in RFL as seen from the records which are now in possession of the present management. REL & RFL have limited information in this regard and in the absence of a single person who was aware of these transaction and access to bank statements of respective borrowers evidencing further flow of funds from them, they are unable to provide any further clarification over these fund flow.
 - (n) RFL requests SEBI to issue appropriate directions against LVB to refund the FDs of 750 Crores to RFL and not to absolve LVB in any manner.
 - (o) REL and RFL request SEBI to identify the ultimate beneficiaries who can be directed to disgorge the ill-gotten gains and the funds which belong to public shareholders. Such directions should also be against Torus Buildcon Pvt. Ltd. and Narendra Kumar Ghoshal and entities related to him. They also request SEBI to recognize the efforts of the new board of directors and support the board. RFL's survival and revival are entirely dependent on refund of the amount of FDs by LVB. Non refund of FDs by LVB would impact the overall revival plan of RFL and would also seriously impact the entire group.
 - (p) The adverse observations against RFL in the Interim Order be vacated and withdrawn. RFL will participate in any investigation that SEBI wishes to conduct without being faced with the adverse observations in the Interim Order.
 - (q) SEBI should issue appropriate clarification to the effect that the Interim Order does not prejudice the case of RFL against LVB in the proceedings before Hon'ble Delhi High Court. SEBI should clarify that the Interim Order does not amount to absolving LVB from its liability to return the money due against FDs of RFL and that RFL is entitled to pursue remedies available to it in law against LVB.
 - (r) LVB in its latest Placement Document for raising equity from QIBs has made certain disclosures relating to the FDs misappropriated by it and the consequent legal proceedings against it undertaken by RFL
11. The Noticee no. 3 (OSPL) during the personal hearing on June 21, 2019 submitted *inter alia* that it is under the Corporate Insolvency Resolution Process (CIRP) and a moratorium has been imposed by NCLT Kolkata from initiating any suit or proceedings against it. During the

hearing, the said Noticee also submitted a letter dated June 20, 2019 from one Shri Soumendra Poddar, the Interim Resolution Professional appointed by Kolkata bench of NCLT on February 15, 2019, reiterating the above submissions.

12. The Noticee no. 4 (BRNL) vide letters dated May 02, 2019 & June 28, 2019, vide an email dated September 09, 2019 and during the personal hearing on June 21, 2019 submitted *inter alia* the following:

- (a) The Noticee is not aware of any alleged loan of Rs.250 Crores given by SREI to RHC Holding and hence is unable to offer any comments. It is also not aware that SREI had received a sum of Rs.250 Crores which was transferred by RFL to the alleged 'SREI Backed Entities'. It is also not aware that a sum of Rs.250 Crore thereafter through Torus Buildcon and other related entities has eventually reached the promoters of REL/RFL. It is also not aware of any transfer of Rs.200 Crore by RFL to OSPL or whether OSPL is a SREI backed entity. It is also not aware that OSPL upon receipt of Rs.200 Crore has allegedly passed on the said money to SREI as repayment of loan.
- (b) BRNL is in no manner concerned with or associated with the transactions as alleged and has not facilitated or has been medium through which the funds have been diverted. No funds have been transferred by it to the promoters of the REL group.
- (c) BRNL is a listed company. It is a road BOT company with projects in several states.
- (d) The corporate loan of Rs.50 Crores referred to in the Interim Order was a genuine commercial transaction, borrowed by it from RFL vide MoU dated Dec 14, 2016 as a short term unsecured loan. Religare has no shareholding or control or management in BRNL. The said loan is reflected in BRNL's books and it had been regularly paying interest on the same. Later, RFL issued recall notices and initiated insolvency proceedings against BRNL which are pending before NCLT, Kolkata.
- (e) The lending of Rs.41 Crore by BRNL, referred to in the Interim Order, was made to OSEPL, a subsidiary of BRNL, in the normal course of business as an ICD. BRNL holds 59.38% shares in OSEPL where Religare group has no shares or control. The payment of Rs.8.65 Crore by BRNL out of the said 50 Crore was done to IGOF which had nothing to do with Religare Group. Thus, BRNL had utilized Rs.50 Crores for its own purposes

- and no part has been transferred to SREI or any group company of REL. Further, it would be outlandish to assume that the loan amount of Rs.50 Crore availed by BRNL from RFL for corporate purposes was in fact received by SREI which in turn transferred it to REL group companies.
- (f) As regards the allegation that there was no approval / documentation with respect to the corporate loan of Rs.50 Crore given by RFL, there was an MoU which was duly signed by an authorized signatory of RFL and the Noticee had no reason to suspect his authorization. BRNL is not concerned with corporate actions required to be taken by RFL and the said MoU is legally binding document. The said transaction was not dubious, as alleged, as BRNL had paid interest till Dec 14, 2017.
 - (g) The Interim Order is adversely affecting the business, reputation and goodwill of BRNL. The same should be vacated against the Noticee.
 - (h) The net worth of the company as on November 30, 2016 and December 31, 2016 stood at Rs.574.24 Crore and Rs.573.80 Crore respectively.
 - (i) The order dated August 28, 2019 of NCLT, Kolkata, admitting the insolvency proceedings initiated by RFL against the Noticee (BRNL), have been set aside by NCLAT vide an order dated September 06, 2019 on account of payment of the outstanding dues by the Noticee to RFL.
13. The Noticee no. 5 (Platinum) vide letter dated June 24, 2019 and July 17, 2019 and during the personal hearing on July 11, 2019 has submitted *inter alia* the following:
- (a) On 27th September 2017, a total sum of Rs.109.30 Crores was received into Platinum's HDFC Bank Account from Religare Finvest Limited. On the same day, the entire amount was immediately transferred to the HDFC Bank Account of Prius Real Estate Private Limited. Thus, the Noticee was merely misused as a conduit entity for transfer of funds, from RFL to an entity (Prius), connected to Singh Brothers (erstwhile promoters).
 - (b) Neither Platinum nor any of its directors or shareholders had any financial or other benefit from this transaction, nor are they aware of the purpose for which the funds were ultimately utilized.

- (c) The said transaction was orchestrated to shift liability from connected entities of Singh Brothers to the books of the Noticee. The Noticee has not gained anything in the transaction and has ended up having a liability of Rs.109.30 Crores in its books.
- (d) The Interim Order against the Noticee is in violation of the principles of natural justice.
- (e) Since its incorporation in February 2010, not much business was done by Platinum. In mid-2016, the promoters of REL/RFL themselves took over control of the management of Platinum, as a dormant company. Due to personal family relationship at the time between the promoters of REL/RFL and the promoters of Platinum, the shareholders of Platinum were compelled to let the promoters of REL/RFL manage the company for their use, in the understanding that the shareholding was also to be transferred to them. In August 2016, promoters of REL/RFL appointed their relatives as directors together with Mr. Sandeep Shukla who was an employee. Subsequently, in September 2016, the promoters of Platinum resigned from the board. Post resignation they were merely dormant shareholders and did not oversee the management and operations of Platinum, since the promoters of REL/RFL were already in charge and control of Platinum and were to acquire its shareholding.
- (f) It was only in October 2018, when media articles about the promoters of REL/RFL came out frequently, the directors appointed by them resigned, realising that something was amiss in the manner of their functioning. The former directors unquestioningly used to follow the directions of the promoters of REL/RFL and had in good faith signed documents on behalf of Platinum whenever they were so directed, but had no knowledge of the contents. Consequently, upon their resignation, Shri Yuvaraj Narain Gorwaney (the original promoter) came back as director on the board of Platinum to investigate and address the issues facing Platinum, including NCLT proceedings and investigations.
- (g) Thus, the promoters of REL/RFL have misused the trust of the promoters of platinum as well as the books of Platinum for their ulterior purposes and loading their own financial liabilities into books of Platinum. It is clear that Platinum did not get any benefit from this transaction.
- (h) Platinum is not promoted or owned by the promoters of REL/RFL, unlike other entities mentioned in the Interim Order.

- (i) At the relevant time, there was nothing suspicious for the shareholders of Platinum to discern that something was amiss in the conduct of the promoters of REL/RFL. Today, promoters of REL/RFL are demanding Rs.109 Crores from Platinum on the strength of bogus book entries created in its books.
 - (j) Since REL/RFL and its promoters themselves have orchestrated the fund diversion from RFL and are themselves the ultimate beneficiaries of such fund diversion and since the liability on Platinum has been artificially created by round tripping transactions, SEBI's direction to RFL to recall the alleged loan from Platinum is totally unwarranted. RFL cannot be allowed to take advantage of its own wrong.
 - (k) In June 2018, RFL has initiated proceedings against Platinum before NCLT Delhi under IBC Code 2016 as a Financial Creditor for Rs.109 Crores, which Platinum is contesting and disputing. The said proceedings have been stayed by the Hon'ble Supreme Court vide its order dated April 05, 2019.
 - (l) As the time of the alleged transaction, the promoters of REL/RFL were managing the affairs of RFL, as per information in public domain.
 - (m) As regards the documentation for the alleged transaction, trumped up documentation (in the form of MOU etc) has been created by RFL for supporting the transfer, which Platinum has already challenged before NCLT.
14. The Noticee no. 11 and 12 (Fern and Modland) vide their respective letters dated June 20, 2019 and July 30, 2019 and during the personal hearing on July 11, 2019 have submitted *inter alia* the following:
- (a) The MSA Report has selectively picked up certain transactions to come up with a narrative which is completely conjectural and its findings are totally perverse. The Report is completely illegal, invalid and void.
 - (b) The transactions between Fern and Modland on one hand and RFL on the other hand were normal commercial transactions. Fern and Modland were not related to REL/RFL. Further, Fern and Modland were unrelated to RHC Holding till 15.12.2017 when their ownership and control was transferred to RHC Group.

- (c) The MSA Report contained *ex-facie* mistakes. The Noticee nos. 4 (Fern) and 5 (Modland) were only earning interest arbitrage by receiving funds from Religare Finvest Limited (RFL) and deploying the same at the instance of RFL itself. After receiving funds from RFL, Fern and Modland lent them to the same entities to whom RFL was directly giving money. The Noticees have taken the same stand before NCLT. RFL has ultimately received back the funds from such entities. Further, RFL had initially written off the loans of Fern and Modland. However, later, it re-entered the same in its books. Since RFL has now launched recovery proceedings against Fern and Modland, the said Noticees have, in turn, also launched recovery proceedings against their borrowers.
- (d) As regards Fern, its involvement is being inferred on the sole ground that out of Rs.150 Crore borrowed by Fern from RFL, an amount of Rs.125 Crore reached RHC Holding for making payment to multiple mutual funds. However, the events mentioned in the MSA Report in this regard are chronologically impossible. Further, as regards Modland, its involvement is being inferred on the sole ground that an amount of Rs.10 Crore advanced by RFL to Modland on 07.09.2016 reached RHC Holding for making payment to multiple mutual funds. However, the same is factually incorrect as the amount reached REL (Religare Group) on the same day through ANR Securities.
- (e) Fern received a sum of Rs.150 crore and Modland received a sum of Rs.155 Crore from RFL. Upon receipt of usual instructions from Religare management, Fern and Modland deployed the entire sums to various companies as per the agreement. Fern and Modland had no use of this money for any of their own purposes nor had they any discretion in determining as to whom the moneys were to be advanced.
- (f) Fern and Modland were thus a mere disbursement vehicles through which RFL chose to advance payments to its intended recipients. The limited benefit that accrued to Fern and Modland was the interest arbitrage, which was permitted by their MoAs.
- (g) The agreements between RFL and Fern and Modland were never intended to be document on the basis of which RFL could ever initiate any recovery action since the funds were deployed at Religare group's instance. For this reason, for 15 months, RFL did not demand principal or interest, though the same was payable at quarterly rests. RFL had also written off the debts of Fern and Modland in December 2017. However, as an after-thought, the same were written back in RFL's books on March 31, 2018.

- (h) RFL itself had been advancing funds to same companies which received funds from Fern and Modland on RFL's instructions. The same shows Religare's nexus with the said companies. Religare itself has filed petitions before the NCLT against those companies to which Fern and Modland have advanced monies.
 - (i) Fern and Modland have also initiated action as per law against the companies to which they advanced moneys as per ReligareGroup's instructions. In addition to the same, there are other companies to which Fern and Modland have advanced moneys as per Religare's instructions but the said amounts are technically receivable in their books. Fern and Modland intend to file their claims in this regard before NCLT.
 - (j) SEBI has no locus standi to make Fern and Modland as party to the proceedings as these are private companies and have no business with securities market.
 - (k) SEBI's order has resulted in duplicity of recovery action by RFL against Fern and Modland.
 - (l) SEBI's Interim Order against Fern and Modland amount to violation of the principles of natural justice.
15. The Noticee no. 18 (Religare Comtrade Ltd.) during the personal hearing on July 11, 2019 and vide its letter dated July 25, 2019 has submitted inter alia the following:
- (a) As per the Interim Order dated March 14, 2019, Rs.125 Crore had gone from RFL to Religare Comtrade Ltd. (RCL), which was ultimately passed on by RCL to Religare Enterprises Ltd. (REL). The same is evident from tables 3, 6 and 7 of the Interim Order. REL holds 100 shares in RCL directly and indirectly. REL directly holds around 73% shares and the remaining 27% shares are held by entities in which REL holds 100% shares. RCL is currently controlled by officers of REL and is proposed to be merged with REL. The present management of RCL has no connection or involvement with the erstwhile promoters of the RCL.
 - (b) Since the money received by RCL has already reached REL and since RCL is owned by REL itself, the direction issued in the Interim Order regarding recovery of money by REL from RFL is infructuous.

- (c) The direction against RCL for recovery of funds from it by REL/RFL and for freezing its assets should be vacated.
16. The Noticee nos. 22 and 25 (Shivi Holdings Pvt. Ltd. and Shivinder Mohan Singh) vide letters dated April 01, 2019, June 21, 2019 and July 05, 2019 and email dated September 06, 2019 during the personal hearing on June 21, 2019 has submitted inter alia the following:
- (a) SEBI has not provided to the Noticees various documents sought by them in respect of the Interim Order.
 - (b) Shri Shivinder Mohan Singh's entire reputation has been tarnished by SEBI's proceedings. He had no knowledge or involvement in Religare Group and did not derive any benefit from any of the alleged transactions, except legal remuneration. Not only the promoters, but even the management of Religare Group should also be investigated, since the group was professionally managed since 2011. Even though he was part of the board of REL, he had no say nor any involvement in its affairs.
 - (c) Shivinder Singh was not in control of RHC or REL. It was Sunil Godhwani who was exercising control over RHC and REL. The same is evident from public filings of REL. Further, Malvinder Singh took control of RHC and REL from Sunil Godhwani in late 2016, as evident from copies of various emails furnished by Noticee to SEBI. Further, Hemant Dhingra, the overall finance head at RHC, used to act on the instructions of Sunil Godhwani. The said emails show that Noticee (Shivinder Singh) was not involved in the affairs of RHC even while he was a board member of RHC.
 - (d) There appears to be clear cut case of REL using RHC and its larger resources and borrowing capacity as an 'on demand' piggy bank while concealing the truth of this arrangement from RHC's shareholders. REL regularly used RHC's balance sheet as an extension of REL's balance sheet to prop up a façade of good health, while concealing all this from the Noticee.
 - (e) Senior management of REL and RFL was aware of and indulged in loan routing through shell companies as alleged in the Interim Order before they came to light.
 - (f) RHC and RFL have been used to fund REL's management's luxurious lifestyle.

- (g) The Noticee was never seen as 'go to' promoter in REL and RFL and was never involved in the affairs of these companies. It was Malvinder Singh who was the 'go to promoter' in REL.
 - (h) At the time of transaction with LVB, Malvinder Singh was in operational control of RHC, REL and RFL. He also opened a personal bank account with LVB around the time the LVB transaction took place, which was apparently closed when the LVB transaction was called in question. There appears to be a large number of high value transactions that have taken place through the said personal account. These transactions looked out of the ordinary.
 - (i) The Noticee has not benefitted from the LVB transaction or the CLB. Infact the equity value of the Noticee in RHC has only deteriorated due to the CLB and LVB transaction.
17. The Noticee nos. 23 and 24 (Malav Holdings Pvt. Ltd. and Malvinder Mohan Singh) vide letters dated April 09, 2019, June 21, 2019, July 01, 2019 & July 11, 2019 and during the personal hearings on June 21, 2019 and July 11, 2019 submitted *inter alia* the following:
- (a) SEBI has not provided to the Noticees various documents sought by them in respect of the Interim Order.
 - (b) The Noticees were used by certain entities for fund diversion and no money has reached the Noticees. Shri Malvinder Singh is from a reputed family which has followed Radha Soami Satsang Beas (RSSB) for generations. RSSB is currently headed by Gurinder Singh Dhillon, who is the Noticee's family Guru. He was very revered and exercised great influence on the family and took all the decisions. He hired Sunil Godhwani who led the entire transaction involving sale of Ranbaxy Laboratories Limited in 2007, under the guidance and directions of Dhillon. After sale of Ranbaxy, Malvinder Singh and his brother, Shivinder Singh, were left with close to Rs.7000 Crores. Since October 2008, Godhwani was informally made head of RHC Holding Pvt. Ltd. (RHC) on advice of Dhillon. Further, Dhillon gave unfettered access and decision making powers to Godhwani over RHC and its Group Companies, including REL and RFL and also the finances of RSSB. He was controlling RHC and diverted funds from REL/RFL to entities related to Dhillon. As per the wishes of Dhillon, in 2006, 25% shares of REL were allotted to Dhillon and his family. The entire management team of REL/RFL was working under

the control of Godhwani. Dhillon was also exercising control over Fortis Healthcare Limited (FHL) and other companies.

- (c) Dhillon also owned / controlled various other entities including Prius Real Estate Pvt. Ltd., Prius Commercial Projects Pvt. Ltd. and Best Group of companies, comprising of Best, Fern, Modland and Devera Developers Pvt. Ltd. and other companies. Godhwani was managing all the monies of the group as well as monies of Dhillon and associates.
- (d) Malvinder Singh had no reason to distrust Dhillon and Godhwani as well as Shivinder Mohan Singh, as they had gained years of trust.
- (e) It appears that in an attempt to misappropriate funds from companies over which Godhwani exercised control at the behest of Dhillon, Godhwani extended loans to various members of Dhillon's family and entities. It appears that Shivinder Singh in December 2017 acquired Best Group in order to adjust / write off such debts by absorbing the same in RHC, even though Best Group companies were debt ridden. Despite acquisition by RHC, Best Group remains under control of Shivinder Singh and Dhillon. The said acquisition was carried out through misrepresentation to Malvinder Singh by Shivinder Singh. Best Group of companies, in order to shield Dhillon family, has not initiated steps for recovery of loans extended to Dhillon's family members and his entities. Shivinder Singh has permitted this siphoning with the ulterior motive of gaining ultimate control of RSSB, which has been promised to him by the Dhillon family in lieu of financial gains.
- (f) Shivinder Singh and Godhwani, who was the CMD of REL from 2010 to 2016 carried out and orchestrated serious financial fraud in REL and RFL by granting unsecured loans to Dhillon family and entities associated or controlled by it. These loans were routed through various RHC Group companies but the ultimate beneficiary of the said loans was Dhillon family.
- (g) Dhillon has attempted to disown his financial and other liabilities by trying to enforce a family settlement between Malvinder Singh and Shivinder Singh under which Dhillon family would stand absolved of all liabilities. Malvinder Singh has refused to sign the same, even though Dhillon is repeatedly threatening him to do so.

- (h) Malvinder Singh has filed a complaint before the EOW against Dhillon, Goghwani and Shivinder Singh and has also submitted various documents to SFIO.
- (i) Malvinder Singh has not derived any benefit from monies diverted from REL/RFL and it is Dhillon and Godhwani who have benefitted. Malvinder Singh is in fact a victim of fraud.
- (j) The Hon'ble Delhi High Court has made Dhillon and his family members as a party in the proceedings filed by Daichi Sankyo.
- (k) Malvinder Singh does not have full and adequate information on transactions set out in the Interim Order as REL has refused to share documents with him. In the absence of such details and the annexures to the MSA Probe, the Noticee is unable to respond effectively to the Interim Order.
- (l) As regards RFL's FDs with LVB, the Noticee is not aware of any 'Board approved investment policy', as referred to in the Interim Order. No documents have been produced by SEBI evincing any instructions whatsoever whereby RFL has permitted/directed LVB to use the FDs held by it as security for a loan advanced to RHC Holdings and Ranchem. Further, the allegations that the FDs were not part of a legitimate business transaction is not correct. Loans taken by RHC Holding and Ranchem in their ordinary course of business cannot be questioned by SEBI. They are separate legal entities and their action cannot be attributed to the Noticee. Similarly, the inferences / contentions with regard to LVB are also untenable and its creditworthiness cannot be doubted. The loans were advanced by LVB in the ordinary course of business and the Noticee cannot be held liable for acts of LVB.
- (m) As regards investments in and loans to OSPL and BRNL, the said transactions were carried out in ordinary course of business by RFL. As regards the allegation that promoter related entities were the ultimate beneficiaries of loan of Rs.250 Crore given by SREI to Torus which was passed on to ANR Securities and Ranchem, SEBI has erroneously concluded that RHC was unable to service the loan taken through Torus. The bank statements of ANR Securities and Ranchem shows that the amounts loaned by Torus were repayed by March 31, 2018. In any case, decision to advance loan to SREI by RFL was a business decision and the Noticee cannot be held accountable for the same. Further,

Malvinder Singh was not even on the board of RFL at the relevant time. The Noticee's transactions with Torus were completely independent transactions.

- (n) As regards the loans in the CLB of RFL, SEBI did not look into the complete transaction which clearly demonstrates that the loans were repaid. SEBI has overlooked the fact that almost all the transactions as referred under the head '*Companies for which Mr. Sanjay Gupta/ Mr. Sanjeev Singhal and Mr. Sandeep Shukla were mentioned as contact person*', are legitimate transactions where monies advanced to RHC entities have in fact been returned by the RHC entities. These were independent transactions and were not inter connected in any manner. However, SEBI has failed to note these facts.
 - (o) As regards loan of Rs.75 Crore to ANR Securities, the same was in normal course of business and there was nothing unusual about it. Further, the loan advanced by ANR Securities to RHC Holding was an independent transaction as RHC required the same for its working capital.
 - (p) Another entity who had major role in fund diversion was Narendra Ghoshal, who was taking instructions from Godhwani. Both of them were instrumental in diversion of funds from REL and RFL.
 - (q) SEBI should investigate the roles of other entities, mentioned above, in the entire fraud by expanding the current investigation.
18. I note that Ad Advertising Pvt. Ltd. (Noticee nos. 6), Artifice Properties Pvt. Ltd. (Noticee no. 7), Rosestar Marketing Pvt. Ltd. (Noticee no. 13), Star Artworks Pvt. Ltd. (Noticee no. 14), Tripoli Investment & Trading Co. (Noticee no. 15), Volga Management and Consultancy Pvt. Ltd. (Noticee no. 16), Zolton Properties Pvt. Ltd. (Noticee no. 17), RHC Holding Pvt. Ltd. (Noticee no. 19), Ranchem Private Limited (Noticee no. 20) and ANR Securities (Noticee no. 21) have neither responded to the Interim Order nor have they attended the personal hearings. Further, Best Health Management Pvt. Ltd. (Noticee no. 8), Devera Developers Pvt. Ltd. (Noticee no. 9) and Vitoba Realtors Pvt. Ltd. (Noticee no. 10) though had attended personal hearing on July 11, 2019 wherein they had sought time to file reply, they have failed to do so. Hence, it is presumed that all these entities have nothing to submit in respect of the Interim Order.

19. Several Noticees at different points of time have made request to SEBI for various documents in respect of the Interim Order. While such documents were provided to them wherever it was felt appropriate to do so, in many instances such requests for documents were denied keeping in view the fact that investigations are still on. Similarly, all requests made by the Noticees for cross examination of various persons were denied on the same ground.
20. I have considered the facts of the case, the charges against the Noticees and the replies/submissions made by them, wherever available.
21. I note that as regards the Noticee nos. 1 & 2 (REL and RFL), I note that they have admitted that there has been illegal fund diversion from RFL. However, they have submitted that REL and RFL are currently being run by a new team and management and is free from any influence of the erstwhile promoters i.e. Singh Brothers. I note that since there are no restraint directions against REL and RFL in the Interim Order and since the *prima facie* findings against them are still under detailed investigation by SEBI, no need is felt to interfere with the Interim Order at this stage, as regards these two entities.
22. As regards the submissions made by REL and RFL in respect of FDs of Rs.750 of RFL kept with the LVB which have been adjusted by LVB against the loans given to erstwhile promoter entities of REL/RFL, I note that the dispute as to whether LVB had illegally adjusted the same or otherwise is pending before the Hon'ble High Court of Delhi. At this stage, it does not seem appropriate for me to record any finding in respect of the same. However, since this may have a material bearing on the finances of RFL, I deem it fit to direct the ongoing investigation by SEBI to look into the said issue. Further, I also hereby clarify that the *prima facie* findings in the Interim Order shall not be construed as a conclusive pronouncement of SEBI on the legality or otherwise of the adjustment of said FDs by LVB. Accordingly, both RFL and LVB may independently pursue remedies available to them under law, in respect of this dispute.
23. As regards the Noticee no. 3 (OSPL), I note that from the documents submitted by it that OSPL is under IBC Proceedings initiated by RFL for recovery of Rs.200 Crore borrowed by OSPL from RFL in the form of NCDs. In this regard, I note from letter dated June 20, 2019 submitted by Shri Soumendra Poddar (Interim Resolution appointed by NCLT, Kolkata) that NCLT, Kolkata, vide its order dated February 15, 2019 has *inter alia* declared a Moratorium to

prohibit institution of suits, or continuation of pending suits or proceedings against OSPL including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or any other authority. Taking the same into consideration, I find that pending the vacation of the said Moratorium, the instant proceedings against OSPL cannot be proceeded with and the same have to be kept in abeyance. Accordingly, till such time the abovementioned Moratorium continues to be operational and the instant proceedings are kept in abeyance, it would be appropriate to remove the name of OSPL from the list of entities from whom REL and RFL have been directed to recover the loans. Consequently, the overall loan amount directed to be recovered by REL and RFL under the instant proceedings would also decrease to the extent of Rs.200 Crore i.e. the amount due from OSPL to RFL.

24. As regards the Noticee no. 4 (BRNL), I note that it has vehemently submitted that its transaction with RFL was a normal independent business transaction and that the same was not linked to any other transaction. Further, it has also submitted that the insolvency proceedings initiated by RFL against BRNL in NCLT, Kolkata, has been set aside on account of payment of dues by BRNL to RFL. Considering these facts, I deem it appropriate to remove the name of BRNL from the list of entities from whom REL and RFL have been directed to recover the loans. Accordingly, the overall loan amount directed to be recovered by REL and RFL would also decrease by Rs.50 Crore i.e. the amount borrowed by BRNL from RFL.
25. As regards the Noticee no. 5 (Platinum Infrastructure Pvt. Ltd.), Noticee no. 11 (Fern Healthcare Pvt. Ltd.) and Noticee no. 12 (Modland Wears Pvt. Ltd.), I note that have primarily contended that they have been misused as conduit entities for transfer of funds and they had merely acted as pass-through entities. I find that the submissions made by the above-mentioned three entities are an indirect admission of their involvement, whether wilful or otherwise, in the diversion of funds instead of being convincing enough to effectively rebut the *prima facie* findings recorded against them in the Interim Order. Thus, since the complete picture is yet to fully emerge pending detailed investigation by SEBI, I am not inclined to interfere with the directions in the Interim Order against these entities.
26. As regards Religare Comtrade Limited (RCL) (Noticee no. 18), I have taken note of the submissions made by it. I note that the funds of Rs.125 Crore which had gone from RFL to RCL, as referred to in the Interim Order, had come back to REL (the holding company of

RFL). I further note that RCL is a 100% subsidiary of REL. Hence, no purpose would be served if REL is directed to recover money from RCL, as directed in the Interim Order. Hence, I am inclined to suitably modify the directions in the Interim Order by removing the name of RCL from the list of entities from whom REL and RFL have been directed to recover monies.

27. As regards Malvinder Singh (Noticee no. 24), Malav Holdings Pvt. Ltd. (Noticee no. 23), Shivinder Singh (Noticee no. 25) and Shivi Holdings Pvt. Ltd. (Noticee no. 22), I note that the said entities have primarily denied their role in the entire fund diversion and have accused other entities of having orchestrated the same. The Singh Brothers have also accused each other of being complicit in the entire fund diversion. Shri Malvinder Singh has also tried to explain certain transactions as normal business transactions. However, given the important and pivotal positions occupied by the Singh Brothers in REL/RFL as their promoters and directors during the relevant period of fund diversion, their submissions do not seem convincing and creditworthy. However, considering the submissions made by these Noticees, I hereby direct the investigation to look into the roles of any other entity who may have a role in the entire matter.
28. I note that a detailed investigation in the matter is still in progress which is supposed to reveal all the layers of the alleged fraud as well as expose the specific role of each entity. Considering the same, at this stage, I am not inclined to vacate the directions passed vide the Interim Order, except modifying the directions to the extent as mentioned below.

DIRECTIONS:

29. In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4)(d) and 11B of the SEBI Act, 1992, hereby confirm the directions issued vide the Interim Order, subject to modifications as specified hereunder:
- (i) REL and RFL (i.e. Noticee nos. 1 & 2) shall continue with the steps to recall the loans, amounting to Rs.2065.09 Crores (approx.), extended, either directly or indirectly, to the Noticee nos. 5 to 17 and 19 to 25 (viz. Platinum Infrastructure Pvt. Ltd, Ad Advertising Pvt. Ltd, Artifice Properties Pvt. Ltd, Best Health Management Pvt. Ltd, Devera Developers Pvt. Ltd, Vitoba Realtors Pvt. Ltd, Fern Healthcare Pvt. Ltd, Modland Wears

Pvt. Ltd, Rosestar Marketing Pvt. Ltd, Star Artworks Pvt. Ltd, Tripoli Investment & Trading Co, Volga Management and Consultancy Pvt. Ltd, Zolton Properties Pvt. Ltd, RHC Holding Pvt Ltd , Ranchem Pvt. Ltd , ANR Securities, Shivi Holdings Pvt. Ltd, Malav Holdings Pvt. Ltd, Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh), along with due interest.

- (ii) The Noticee nos. 5 to 17 and 19 to 25 shall, pending completion of the investigation and till further orders, not dispose of or alienate any of their assets or divert any funds, except for meeting expenses of day-to-day business operations, without the prior permission of SEBI.
 - (iii) The directions contained in para 10(ii) of the Interim Order in respect of the Noticee no. 4 (Bharat Road Network Limited) and the Noticee no. 18 (Religare Comtrade Limited) stand revoked.
 - (iv) The Noticee nos. 24 and 25 (viz. Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh) shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions.
30. The above directions shall come into force with immediate effect and shall remain in force till further directions.
31. A copy of this order shall also be served upon the Exchanges and the Depositories.

Place: Mumbai
Date: September 11, 2019

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA