

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AS/RM/2024-25/31059-31061)**

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

In respect of:

Noticee No.	Name of the Noticee	PAN
1	EbixCash Limited	AAACE9981H
2	Ebix Singapore Pte. Ltd	AACCE6644H
3	Ebix, Inc.	NA

In the matter of proposed IPO of EbixCash Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India ('hereinafter referred to as 'SEBI') while issuing its observations on the Draft Red Herring Prospectus ("DRHP") dated March 9, 2022 w.r.t. proposed IPO of EbixCash Limited filed with SEBI by the Lead Manager to the Issue (LM), inter-alia noted instances of non-compliances with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as **SEBI ICDR Regulations**), and based on the noted non-compliances SEBI initiated adjudication proceedings against:
 - a) EbixCash Limited (hereinafter referred to as **Noticee 1**/Issuer) under Section 15HB of SEBI Act, 1992 for the alleged violation of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations.
 - b) Ebix Singapore Pte. Ltd (hereinafter referred to as **Noticee 2**/Promoter), and Ebix Inc. (hereinafter referred to as **Noticee 3**/Promoter) under Section 15HB of SEBI Act, 1992 for the alleged violation of Section 27(1) of SEBI Act, 1992 read with Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed Mr. Shashi Kumar Valsakumar, Chief General Manager as Adjudicating Officer in the matter vide order dated August 22, 2023. Pursuant to the transfer of the erstwhile AO, undersigned was appointed as the Adjudicating Officer, vide order dated July 22, 2024, under Section 19 of the SEBI Act read with Section 15-I (1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**SEBI Adjudication Rules**') to inquire into and adjudge under the provisions of the Section 15HB of the SEBI Act for the violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice bearing reference no. SEBI/HO/EAD-8/SV/RM/2023/50729/1/2/3 dated December 15, 2023 (hereinafter referred to as '**SCN**') was issued to the Noticees in terms of the provisions of Rule 4(1) of the SEBI Adjudication Rules read with Section 15-I of the SEBI Act, requiring the Noticees to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed upon the Noticees under Section 15HB of the SEBI Act for the alleged violations. I note that SCN was issued to Noticees, and was duly served upon the Noticees and it was acknowledged by the Noticees. The Noticees submitted their responses to SCN vide letters dated August 14, 2024.
4. The allegations levelled against the Noticees in the SCN are summarized in the following paragraphs:
5. The DRHP of EbixCash Limited (Issuer) was filed with SEBI by the Lead Manager to the issue, Motilal Oswal Investment Advisors Limited vide letter dated March 09, 2022. SEBI issued final observation letter on April 10, 2023.

6. The gift card business/Prepaid Payments Instruments (PPI) business conducted by direct subsidiary of the Issuer Company, Ebix Payment Services Private Limited (Ebix Payment), is under the regulatory purview of RBI. It was noted that RBI has issued a "Letter of Displeasure" dated March 21, 2023 to Ebix Payment for violation of the provisions of RBI's PPI-MD dated August 27, 2021 & misreporting of PPI data and advised the entity to amend its agreements with banks within a month.
7. In view of above, LM vide letter dated June 02, 2023 filed an addendum dated June 01, 2023 with respect to RBI's "letter of displeasure" dated March 21, 2023 and with an updated Restated Consolidated Financial Information incorporating revenue recognition from Pre-paid instruments on net basis. Further the Noticee 1 filed the updated DRHP with SEBI on July 31, 2023.
8. Post-issuance of addendum, SEBI received several references on the proposed IPO of the Issuer Company and the references were examined to ensure compliance with disclosure requirements as per ICDR Regulations, 2018 including Schedule IX- Public Communications and Publicity Materials of ICDR Regulations, 2018. The instances and LM's response summary are detailed in the subsequent paragraphs.

Instance 1- Reference dated June 12, 2023:

9. In the reference dated June 12, 2023, it was alleged that incorrect and biased information with respect to confidential partial arbitration ruling dated June 1, 2023 regarding outstanding arbitration matter pending with Singapore International Arbitration Centre was disclosed through a media article dated June 03, 2023—*"EbixCash Receives Successful Arbitration Ruling From Singapore Tribunal In Ebix vs Vyoman"*. The publication of the media article was allegedly favorable to the Issuer in terms of language and was a breach of confidentiality. SEBI vide email dated June 15, 2023 advised LM to provide its submission in respect of said article and ensure strict compliance with the applicable provisions of ICDR Regulations,

2018 including Schedule IX- Public Communications and Publicity Materials of ICDR Regulations, 2018, at all times.

10. LM vide letter/email dated June 16, 2023 & June 20, 2023 provided its final submission and informed that the said article had been retracted from all possible media websites. Additionally, LM in letter dated June 20, 2023 merely stated that the Company is in compliance with Schedule IX of the SEBI ICDR Regulations, 2018 without detailed submission.
11. In view of the above, Noticees were alleged to have made incorrect and biased disclosure of information with respect to confidential partial arbitration ruling dated June 01, 2023 and therefore Noticee 1 was alleged to be in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were alleged to be in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018.

Instance 2- Reference dated July 07, 2023, "Ebix Signs Debt Extension Amendment"

12. In the reference dated July 07, 2023, a link was shared to the press release of Noticee 3 i.e. one of the promoters of the issuer company- Ebix Inc. (listed in NASDAQ, USA) dated May 24, 2023 about the proposed IPO of Issuer Company titled as "*Ebix Signs Debt Extension Amendment*".
13. In the press release it was stated that, "*Amendment No.14 also specifically provides for the application of a certain percentage of the proceeds from certain liquidity events towards payment of outstanding principal and interest obligations at that time. These events would include the mandatory public listing of the shares of the Company's subsidiary EbixCash Limited on the Indian stock market by July 31, 2023, the proceeds from the issuance of any additional debt and/or securities*

if raised by the Company and the proceeds from the monetization of any asset sale, if carried out by the Company."

14. The press release was a development in the objects of the issue. In the DRHP it was stated that :

2nd object- *Purchase of outstanding compulsorily convertible debentures from Ebix Asia Holdings Inc, Mauritius ("Ebix Mauritius") which were issued by certain of our Subsidiaries and payment of interest on such outstanding compulsorily convertible debentures- estimated amount- Rs. 2747 crores.*

15. Further, with respect to flow of funds from Issuer company to Ebix Inc. Para 4-Schedule I of LM's response dated July 11, 2023 stated the following:

"The DRHP contains the details of the CCDs that are sought to be purchased by the Company, as a result of which funds will be transferred to the holders of the CCDs. Ebix Asia Holdings Inc. which in turn will transfer the same to Ebix, Inc. for repayment of lenders."

16. From the Instance 2 above, it was observed that the development with respect to the ultimate utilization of Net proceeds earmarked for Object 2 of the issue, as mentioned in the said Press release, has not been disclosed in the addendum to DRHP which was issued on a later date on June 01, 2023. Considering that one of the objects of the issue is to purchase outstanding compulsorily convertible debentures (CCDs) from Ebix Asia Holdings Inc., Mauritius which were issued by Issuer company's subsidiaries and payment of interest on such CCDs with an estimated amount of Rs. 2747 crores, as a result of which funds will be transferred to the holders of the CCDs, Ebix Asia Holdings Inc. which in turn will transfer the same to Noticee 3 i.e. Ebix Inc. This information should have been included in the addendum to the DRHP as it is a material development to the objects of the issue.

17. In respect of above, clarifications were sought from LM vide email dated July 07, 2023 on whether adequate disclosures are provided in the offer documents and further advised LM to ensure strict compliance with ICDR Regulations, 2018 at all times.
18. LM vide mails/letter dated July 11, 2023 & July 12, 2023 inter-alia submitted that *"a risk factor highlighting the risk, if any, to the Issuer on account of the payment obligation deadlines under the Amendment No. 14"* shall be included in the offer documents. Further in regards to disclosure in offer document LM indicated the general statements provided in the Risk factor 23 titled as *"Certain portion of the Net Proceeds are proposed to be paid to the promoter group of our Company."*
19. In view of the above, the material information with respect to the one of the objects of the Issue, disclosed in press release dated May 24, 2023, was allegedly not disclosed in the addendum to DRHP dated June 01, 2023 by Noticees, and therefore, Noticee 1 was alleged to be in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were alleged to be in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018

Instance 3- Reference dated July 07, 2023 "Ebix Provides a Strategic Update"

20. SEBI while processing the Instance 2 above, came across another press release by Noticee 3 dated July 06, 2023 titled as "Ebix Provides a Strategic Update".
21. In the press release it was stated that:
- a) *"The Company has recently filed the EbixCash financial addendum document in line with the regulatory guidance from Indian regulators, stating its payment solutions revenues on a net basis. This has resulted in ensuring that the subject matter of a "short" report issued almost 12 months back, has become numerically immaterial for the prospective EbixCash investor (less*

than 2% of EbixCash revenues and less than 0.1% of EbixCash income as stated in the addendum filed).

- b) *In any case, this short report's dissemination in India was banned by an Indian session court, after a review of the false claims in this report.*

22. In respect of above, LM vide email dated July 07, 2023 was advised to confirm whether there is any mismatch in the statements provided in the said article and Addendum filed with SEBI on June 01, 2023 with respect to captioned IPO and further advised to verify and confirm the correctness and completeness of all the information stated in the said article.

23. LM vide emails dated July 11, 2023 & July 12, 2023 inter-alia submitted :

- a) *The Issuer has filed an addendum dated June 1, 2023 to the DRHP ("Addendum"). The details of the adjustment in the revenue recognition have been provided on the cover page of the Addendum and in note 67 and 71 of the Restated Consolidated Financial Information included in the Addendum.*
- b) *The Company has clarified that the quantified details of the subject matter pertain to the promoter entity, Ebix Inc. We have reviewed confirmation from Raj Gupta & Co., chartered accountants, which provides as follows: "Co-branding pre-paid cards revenue, on a net basis, derived from the restated financial statements of Ebix Payment Services Private Limited, for the corresponding period is less 2% of the Ebix Inc. for the LTM (last twelve month) period ended March 31, 2023 for Ebix Inc."*
- c) *The short report mentioned in the Article, refers to the report titled "Ebix: This House of "Cards" Seems to Have a Glaring Fake Revenue Problem" dated June 16, 2022 ("Hindenburg Report").*
- d) *The Issuer has filed a suit bearing reference no. CS DJ 657/2022 before the Additional District Judge, Tis Hazari Court, Delhi (the "Court") against Nate Anderson and others, for permanent, prohibitory and mandatory injunction*

along with defamation and damages in relation to the Hindenburg Report ('Hindenburg Report Case').

- e) *The Court by way of its orders dated July 5, 2022 and September 9, 2022 had temporarily restrained Nate Anderson, Hindenburg and others from publishing the Hindenburg Report till the final disposal of the suit.*
- f) *In para 12 (g) of the order dated July 5, 2022, the Court has indicated its views on the statements in the report being 'disparaging, misleading and defamatory in nature'. The matter is currently pending and the next date of hearing is August 14, 2023."*

24. In respect of above, LM submitted that the Promoter made subsequent press releases on July 14, 2023 and July 15, 2023 with complete details.

25. Further, the LM vide letter dated July 20, 2023 submitted that "in terms of the publicity restrictions, the promoter, Ebix Inc. did not share the relevant portion of the press release with the BRLMs and legal counsels for their pre-clearance prior to publication...".

26. In view of the above, Noticees were alleged to have made incorrect disclosure of information with respect to Hindenburg Report and court proceedings in relation thereto in the Press Release dated July 6, 2023 and therefore Noticee 1 was alleged to be in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were alleged to be in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018.

RBI's "Letter of Displeasure" dated March 21, 2023

27. The issuer company received a "letter of displeasure" dated March 21, 2023 (**Annexure 3**) from RBI for its pre-paid gift card business pursuant to which the

issuer company filed an addendum dated June 01, 2023 restating the financial information.

28. Statement made by the Promoter Noticee 3 in the Press Release dated July 06, 2023 inter alia stated following-

“The Company has recently filed the EbixCash financial addendum document in line with the regulatory guidance from Indian regulators, stating its payment solutions revenues on a net basis.”

29. In respect of above, LM vide letter dated July 17, 2023, in its Annexure I submitted the following:

“Ebix Payment Services Private Limited (“Ebix Payment Services”), a subsidiary of EbixCash, received “a letter of displeasure” from the Reserve Bank of India (“RBI”) dated March 21, 2023 (“RBI Letter”), regarding certain co-branding arrangements of EbixCash with the banks for the issuance and operation of prepaid payment instruments (“PPIs” and the banks “PPI Issuers”). The details of the letter have been disclosed in the addendum to the DRHP filed by EbixCash on June 1, 2023.

A circular dated April 19, 2023 was issued by RBI to all approved/authorized PPI Issuers, according to which, the role of all non-bank entities, including Ebix Payment Services, is to be limited to only marketing / distribution of the PPIs or providing access to the PPI holders to services that are offered.

Accordingly, Ebix Payment Services was asked by RBI to suitably amend the co-branding arrangements/ agreements with the PPI Issuers within one month of the aforesaid communications and strictly comply with the provisions, and the same was complied with. Based on this directive from RBI to amend its co-branding arrangements with the PPI Issuers going forward, Ebix Payment Services has ceased to be a principal under the amended co-branding arrangements from financial year commencing April 1, 2023 and would act as an agent for the PPI

Issuers consequent to the amendments made in the contractual arrangement(s) with the PPI Issuer(s).

The Securities and Exchange Board of India ("SEBI"), vide its letter dated April 10, 2023 ("SEBI Letter"), directed the Company to present the financial information being provided in the red herring prospectus ("RHP") (for all past periods i.e. financial years ended March 31, 2021, March 31, 2022 and March 31, 2023) to be restated on a net basis and presented in line with the RBI's master directive on pre-paid cards instruments.

In compliance with the RBI Letter and the SEBI Letter, the revenue to be recognized for services provided by the Company post such amendments (commencing April 1, 2023) for co-branded cards would be recognized on a net basis in the financial statements of the Company. Accordingly, the revenue and income for cobranded cards were presented on a net basis, while presenting consolidated financial information for the years ended March 31, 2021, March 31, 2022, and March 31, 2023 ("Restated Consolidated Financial Information") that was included in the addendum dated June 1, 2023 ("Addendum"). As a result of these changes made, the Restated Consolidated Financial Information in the Addendum and the restated consolidated financial information included in the DRHP are not comparable for the period ended March 31, 2021. Investors are advised to refer to the Addendum for the relevant Financial Information of EbixCash for the aforementioned periods."

30. Further, the LM vide letter dated July 20, 2023 submitted that "in terms of the publicity restrictions, the promoter, Ebix Inc. did not share the relevant portion of the press release with the BRLMs and legal counsels for their pre-clearance prior to publication..."

31. The following table derived from Note 67 & 71 of the said addendum dated June 01, 2023 filed with SEBI pursuant to RBI's letter of displeasure, provides the

reclassification of revenue (Rs. Crores) related to Prepaid instruments (PPI's) from gross to net basis:

Particulars	Reported	Restated	Change	Approx. % change in revenue post restatement
Revenue from operations for year ended March 31, 2023	6655.2	2371.9	4283.3	64.35
Revenue from operations for year ended March 31, 2022	6139.1	1622.9	4516.1	73.56
Revenue from operations for year ended March 31, 2021	4172.8	1043.6	3129.1	75.00

32. In view of the above, Noticees were alleged to have made inadequate disclosure of issuance of RBI letter dated March 21, 2023 and its impact on the business and revenue of the Issue in the press release dated July 06, 2023 and therefore Noticee 1 was alleged to be in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were alleged to be in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018.

33. The SCNs were served to Noticees, and the Noticee 1 vide letter dated January 09, 2024 and Notice 2 and 3 vide letter dated January 18, 2024 requested for inspection of documents. The Noticees were provided with inspection of documents on April 10, 2024. Subsequently, Noticees filed application dated April 18, 2024, seeking inspection and disclosure of additional documents. Vide email dated June 26, 2024, Noticees were provided with certain further documents and comments in respects to the specific documents requested by the Noticees, and inspection was considered complete. Further, vide aforesaid email, Noticees were also informed that if Noticees still seek a personal hearing on the issue of inspection

of documents and their copies, they may submit a request for the same. Noticees did not make any request for personal hearing in respect of inspection.

34. In the interest of natural justice, vide hearing notice dated August 01, 2024 an opportunity of hearing on August 22, 2024 was granted to the Noticees. Noticee 1 submitted reply to SCN vide letter dated August 14, 2024, and the Noticees 2 and 3 submitted common reply to SCN vide letter dated August 14, 2024. Pursuant to Noticee's Authorised Representatives (ARs), request the personal hearing was rescheduled and conducted on September 20, 2024, which was attended by Authorised Representatives of the Noticees and Company Secretary & Compliance Officer of Noticee 1 through video conference. The ARs reiterated the submissions made by the Noticees vide replies dated August 14, 2024 to the SCN.

KEY CONTENTIONS OF NOTICEE 1

35. Noticee 3, Ebix, Inc., was incorporated in Delaware as Delphi Information Systems Inc. on August 22, 1983, and changed its name to Ebix, Inc. on December 29, 2003. Its registered office is at 1 Ebix Way, Johns Creek, Georgia - 30097, USA. The company offers software solutions for the insurance and healthcare sectors in North America and is listed on NASDAQ.
36. Noticee 2, Ebix Singapore Pte. Ltd., incorporated in Singapore as Delphi Information Systems Pte. Ltd. on May 29, 1998, changed its name on September 23, 2005. It is located at 1 Harbourfront Avenue 14-07, Keppel Bay Tower, Singapore-098632 and provides on-demand insurance technology solutions.
37. Noticee 1 was incorporated on April 26, 2002, as Ebix Software India Private Limited, later renamed Ebixcash Private Limited, and converted to a public limited company, now known as EbixCash Limited (Noticee 1) since February 02, 2022. Noticee 1 provides digital products and services in B2C, B2B, and financial

technology sectors, focusing on payment solutions, travel, financial technologies, and business processing outsourcing.

38. Noticee 1 submitted its Draft Red Herring Prospectus (DRHP) to SEBI on March 09, 2022, with SEBI issuing a final observation letter on April 10, 2023. On March 21, 2023, the Reserve Bank of India (RBI) issued a 'Letter of Displeasure' to Ebix Payment Services Private Limited (a direct subsidiary of Noticee 1) for non-compliance with Master Directions on Prepaid Payment Instruments (PPIs) dated August 27, 2021 ("PPI-MD").
39. SEBI directed the Company to present financial information in the DRHP for past fiscal years (FY 2020-21, FY 21-22, FY22-23), requiring net basis restatement according to PPI-MD. In response, the lead manager (LM) of Noticee 1 filed an addendum on June 01, 2023, and submitted an updated DRHP on July 31, 2023, presenting consolidated financial information for prior years, and presented the revenue and income for cobranded cards on a net basis.
40. SEBI forwarded a complaint on June 15, 2023 to LM, regarding a news article related to arbitration matter with SIAC. The LM clarified that the Company was not involved in the publication of articles mentioned in the complaint, and the two articles have been retracted. On July 07, 2023, SEBI referred a press release of Noticee 3 regarding an amendment for extension of its debt agreement, which the LM through emails dated July 11, 2023 and July 12, 2023 clarified that DRHP has disclosed detailed fund transfers for repayment of loans.
41. SEBI also expressed concerns about another press release related to Noticee 3's financial addendum, to which the LM clarified that the addendum disclosed revenue recognition adjustments and that the Hindenburg Report has already been brought into the public domain through multiple prior public releases.

42. Consequently, SEBI issued the current SCN seeking to penalize the Noticees under Section 15HB of the SEBI Act, 1992.

Preliminary Submissions by Noticee 1

43. SEBI does not have the jurisdiction to issue the present SCN: SEBI lacks jurisdiction over the alleged violation of the ICDR Regulations. Since Noticee 1 is an unlisted, non-public issuer, it does not fall within the ambit of these regulations. Regulation 3 of the ICDR Regulations pertains only to initial public offers by unlisted issuers, a scenario that does not apply, given the withdrawal of Noticee 1's Draft Red Herring Prospectus (DRHP) on December 22, 2023. Since its DRHP, including Addendum dated June 01, 2023 has been withdrawn prior to the SCN issuance, does not constitute an "offer," as it merely indicated an intent to go public. Consequently, Regulation 3 of the ICDR Regulations is inapplicable, and the SCN lacks grounds. Further, due to the DRHP's withdrawal, no IPO as defined under Regulation 2(1)(w) of ICDR Regulations or public offer occurred, resulting in no financial exposure or risk to investors. Therefore, SEBI lacks a basis for alleging violations, as no investor interests were impacted. SEBI's own stand in past that if an entity is not listed, SEBI regulations are not applicable. In this regard SEBI's Adjudication Order No. Order/BS/DP/2023-24/28940 dated August 31, 2023 in respect of Piramal Pharma Ltd. in the matter of Piramal Enterprises Ltd is referred, wherein it was observed that any compliance required to be made under LODR Regulations, has to be made by the "listed entity". The Noticee not being a listed company at the time of event could not have made the disclosures under LODR Regulations.

44. For 'proposed to be listed', the Legal Affairs Department, SEBI has relied upon the definition provided under Regulation 2(1)(hb) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 for the purpose of coming to conclusion with respect to the ICDR Regulations. It is submitted that an internal department of SEBI cannot rely on definition provided under other inapplicable Regulations. There is no such

provision under the SEBI Act, 1992 that permits SEBI to do so. If the opinion of LAD is relied upon, it would mean that SEBI (Prohibition of Insider Trading) Regulations, 2015 would also be made applicable to an 'unlisted entity' which would then require to comply with various obligations including making of policies, SDD, etc. This is plainly perverse on facts as well as in law.

45. DRHP cannot in any manner be construed as an 'offer' and therefore Noticee 1 does not fall under Regulation 3 of the ICDR Regulations. It is submitted that a DRHP is merely a document showing the intention of a company to raise money from the market and cannot constitute as an 'offer'. The intent of the ICDR Regulations is to govern only the final prospectus, which is approved by SEBI and registered with the ROC, marking the commencement of a formal public offer.

46. In *DLF Limited v. SEBI*, the SAT observed that merchant bankers and auditors bear the primary responsibility for preparing and presenting offer documents under statutory parameters. An IPO process only begins once the final prospectus is filed, reinforcing the distinction between a DRHP and a formal offer.

47. SEBI issued only an administrative warning to the Book Running Lead Managers (BRLMs), who bear primary responsibility under the SEBI (Merchant Bankers) Regulations. This inconsistency is arbitrary, as the BRLMs were not subject to adjudication proceedings despite their significant obligations in the IPO process. SAT in *DLF Limited v. SEBI* emphasized that merchant bankers and other intermediaries hold primary responsibility for ensuring true and adequate disclosures. SEBI's failure to comprehensively proceed against merchant bankers despite evidence undermines its action against the Noticee. The evidence against the Noticee and the merchant bankers is identical, yet SEBI chose to issue only a warning to the merchant bankers while proceeding with adjudication against the Noticee

48. Since the DRHP was withdrawn before any investment was made or financial risk exposed to investors, there was neither a factual nor potential loss to prospective investors. Without any loss or an active securities market, SEBI lacks jurisdiction to allege violations under ICDR Regulations. This argument aligns with SEBI's regulatory mandate to protect actual investor interests in the securities market.
49. It is contended that no securities were issued by the company, no offer of securities was made to the public, no money was received from investors, no loss was caused to investors, and hence without the existence of a securities market, SEBI's jurisdiction to issue a Show Cause Notice (SCN) is questioned.
50. SEBI has erroneously invoked Section 15HB of the SEBI Act, 1992 for the imposition of penalty for failure to disclose the correct information. Even if a disclosure error occurred, Section 15HB of the SEBI Act cannot penalize incorrect disclosures, as per SEBI's Expert Group and previous SAT rulings.

SEBI is barred from unreasonably adopting a volte-face

51. Initially, SEBI's Corporate Finance Department (CFD) concluded that the appropriate action was to issue merely an administrative warning to the Noticees and their merchant bankers. This recommendation is evident from SEBI's internal office notes, specifically on page 5, where the CFD's view is recorded. However, SEBI later shifted its stance to issuing a SCN to the Noticees without providing any reasoning, even redacting the officer's name and designation who suggested a review of legal provisions following a discussion with the Executive Director on 19/07/2023. This shift appears arbitrary, as no new facts or evidence were presented to justify such a change.
52. SEBI's volte-face in its approach violates principles established in similar cases. The Securities Appellate Tribunal (SAT) in S.K. Chowdhary v. SEBI emphasized that once an issue has been determined on the same facts, it creates an "issue

estoppel." According to SAT, an issue resolved in one proceeding cannot be arbitrarily reopened in subsequent proceedings on the same facts without justification.

53. Departmental bias is evident in SEBI's process, as illustrated by SEBI's internal correspondence following the appointment of the Adjudicating Officer. These correspondences reveal that Adjudicating Officer highlighted a lack of clarity regarding the alleged violations. Specifically, SEBI's communication directed its departments to clarify how the Noticees and other entities allegedly breached the ICDR Regulations across three different instances, raising questions about SEBI's decision-making integrity and hinting at departmental bias, since AO upon receipt of file post-investigation, instructed the department to amend or clarify the alleged violations.

54. Following the appointment of the Adjudicating Officer, SEBI's action matrix was revised without substantive grounds. This change suggests a disregard for the initial recommendation and the due process. The Noticee argues that such an amendment post-appointment of the Adjudicating Officer, and without any factual or evidentiary change, further supports the claim of procedural impropriety.

55. The Noticee asserts that SEBI's action was unwarranted, as the facts and evidence remained unchanged between the time, SEBI initially recommended a warning letter and when it escalated the matter to AO proceedings. This abrupt change, without any corresponding evidence, indicates an unreasonable reversal and, thus, the current SCN lacks a legitimate basis.

56. On these grounds, the Noticee requests the immediate withdrawal of the SCN, as the grounds for its issuance are unsubstantiated. Furthermore, without prejudice to these arguments, the Noticee maintains that there is no merit to the allegations in the SCN, and no violation of the cited provisions has occurred.

Violation of Principles of Natural Justice Concerning Inspection of Documents

57. Noticee 1 and Noticee 2 requested SEBI on January 9, 2024, and Noticee 3 on January 18, 2024, to allow inspection and provide copies of crucial documents integral to their defence. Although SEBI granted an inspection opportunity on April 10, 2024, it failed to produce most requested documents. This omission restricts the Noticees' right to fully defend themselves against the allegations in the SCN.
58. During the inspection on April 10, 2024, SEBI provided redacted versions of office notes and other documents already annexed to the SCN. SEBI's selective disclosure prevents the Noticees from accessing relevant documents in their entirety, thereby hindering their ability to prepare an effective defence.
59. The Hon'ble Supreme Court and SAT have established that SEBI must disclose all pertinent material and cannot engage in selective disclosure, as this undermines the opposing party's right to a fair trial. Consequently, the Noticees filed an application under Order XI Rule 12 of the Code of Civil Procedure, 1908, on April 18, 2024, requesting SEBI to disclose additional documents. SEBI, however, denied the request on June 26, 2024, while still withholding critical documents and approvals from the Competent Authority, the detailed table is placed on records.
60. In *M/s. Amadhi Investments Ltd. v. SEBI*, SAT held that statutory regulators must operate transparently and provide full inspection of records to the Noticees. SEBI's refusal to provide complete document access goes against this precedent, which advocates for full disclosure to promote fair inquiry and uphold the principles of natural justice.
61. SEBI has selectively cited the *Kavi Arora* judgment to deny document access. However, as clarified in *T. Takano v. SEBI*, the Court reaffirmed that SEBI must disclose all relevant materials relied upon during adjudication and cannot

unilaterally redact documents necessary for the Noticees' defence. Consistent with the precedent in *Sunita Agarwal v. SEBI*, SEBI is also obligated to provide file notes that explain the rationale for initiating action against the Noticees. Denying such access impairs the Noticees' ability to understand SEBI's basis for action and prejudices their defence.

62. Both Kavi Arora and Sunita Agarwal judgments emphasize adherence to the principles of natural justice by ensuring transparent document disclosure. SEBI's refusal to provide complete information unduly prejudices the Noticees, as withholding crucial documents prevents them from mounting a full defence.

Submissions on Merit

Instance 1- Reference Dated June 12, 2023

63. Noticees contend that they had no role in publishing the news articles about the partial arbitration ruling dated June 1, 2023. SEBI has not provided evidence to suggest that the issuer or its associates were involved in or sanctioned the publication. Moreover, the SCN does not identify the source of these articles, nor has SEBI sought comments from the Noticees to corroborate any information.

64. The alleged misleading disclosure in the news articles does not violate Regulation 42 in conjunction with Paras 1, 4, 5, and 6 of Schedule IX of the ICDR Regulations. These articles were not issued by the issuer or its associates as required under Para 1 of Schedule IX.

65. The articles, published by an unidentified third party, were merely informational legal updates and do not constitute any promotional material aimed at attracting public attention.

66. SEBI has previously issued notices to journalists and sources responsible for publishing incorrect information (referred Adjudication Order No.

Order/NH/VS/2022-23/20979 dated October 31, 2022, regarding Ms. Ishita Guha and activities related to Bharat Financial Inclusion Ltd. and IndusInd Bank Limited). SEBI's decision to hold Noticee 1 accountable in this case appears to lack a clear rationale.

67. The article in question was not substantiated or commented upon by the Company and should, at best, be considered speculative. Mere publication by a third party does not establish accountability on the part of the Noticees.

68. A third party's reference does not relieve SEBI of the responsibility to conduct its own independent investigation. SEBI has not provided any indication in the SCN that it sought to verify information with Business World or Exchange4media, nor has it identified any disclosed source of the article in question.

69. The Company through its merchant bankers, via email dated June 16, 2023, informed SEBI that they were unaware of the article and that vide email dated June 15, 2023 Noticee 1 had directed the Business World and Exchange4media to retract it due to the confidential nature of the arbitration proceedings. SEBI, however, failed to independently verify this before making allegations against the Noticees.

70. The language of Para 1 of Schedule IX clearly specifies "public communication including advertisements, publicity material...issued or made by the issuer or its associate company." As the news articles were not published by the Noticees, the provision does not apply to them.

71. Para 4 of Schedule IX, which applies to disclosures between the offer document filing and securities allotment, does not apply here as the DRHP was withdrawn, and therefore, there is no question of allotment of securities.

72. Para 5 restricts the issuer from disclosing information not contained in the offer document. The articles' legal updates regarding arbitration involving Ebix Payment, EbixCash World Money Limited, and Noticee 2 were disclosed in the DRHP and its addendum. Since the articles were not published by Noticee 1 or the Company, there is no violation of Para 5.

73. Inapplicability of Schedule IX, Paragraphs (4) and (5) of ICDR Regulations to Pre-Offer Developments: The provisions in Paragraphs (4) and (5) of Schedule IX of the ICDR Regulations apply specifically to developments between the offer and securities allotment stages. These clauses aim to ensure that material developments during this period are transparently disclosed to investors. In the present case, the developments in question took place before the offer, which makes these paragraphs inapplicable.

- a) Para (4) mandates updates for material developments occurring between the offer document filing and allotment to maintain investor transparency. Since there is no offer or allotment at this stage, this clause is irrelevant.
- b) Para (5) restricts disclosures of non-offer document information during the offer-allotment phase to prevent misinformation. As the events predate the offer, this restriction does not apply here.

74. The news articles were not issued by the issuer or its associate company, which means the condition of obtaining Lead Manager (LM) approval does not apply. Thus, there is no breach of Paragraph (6).

75. No provisions under ICDR Regulations have been breached, as the requirements apply solely to material issued by the issuer or its associates, which is not the case here. As per established legal principles, statutory provisions cannot be read into if not explicitly stated by the Legislature. The Shiv Shakti Coop. Housing Society v. Swaraj Developers case reiterates that clear and unambiguous statutory language must be strictly followed without adding or omitting terms. Further supporting this,

Raghunath Rai Bareja v. Punjab National Bank emphasizes that literal interpretation should prevail when the statutory language is plain, without altering the meaning based on other interpretative rules.

76. Noticee submit that a Newspaper Report is only hearsay evidence and can only be treated as secondary evidence under the Indian Evidence Act, 1872. A newspaper is not one of the documents referred to in Section 78 of erstwhile Indian Evidence Act, 1872 for establishing an allegation of fact. Additionally, the presumption of genuineness, as outlined in Section 81 of the erstwhile Indian Evidence Act, 1872, which is attached to a newspaper's report, cannot be considered as conclusive proof of the facts reported therein. The Hon'ble Supreme Court of India had in the case of Dinesh B.S. v. State of Karnataka had observed that-

"To show the error in the reasoning of the High Court on laying much credibility on the newspaper reports, the learned Senior Counsel Mr. D. Seshadri Naidu quoted Mark Twain who said, "If you don't read the newspaper, you're uninformed. If you read the newspaper, you're misinformed." In the facts of the present case, this Court is inclined to accept the submission of the learned Counsel that an extrajudicial confession cannot be given greater credibility only because it is published in a newspaper and is available to the public at large. It is well-established in law that newspaper reports can at best be treated as secondary evidence."

77. In terms of corrective measures, it has been acknowledged by SEBI that the LM took immediate action to retract the news articles by writing to the editors of the respective newspapers. The LM vide its email dated June 16, 2023 & June 20, 2023, confirmed to SEBI that the Company was not involved in publication of such news article and the two news articles as mentioned by the complainants have been retracted and are no longer available in the public domain.

Instance 2: Reference dated July 07, 2023, “Ebix Signs Debt Extension Amendment”

78. SEBI alleges non-disclosure of the ultimate utilization of net proceeds in the DRHP/UDRHP, specifically relating to the objective of purchasing compulsory convertible debentures (CCDs) from Ebix Asia Holdings Inc., with final utilization allegedly meant for Ebix Inc. However, it is denied that ultimate utilization of net proceeds has not been disclosed under the DRHP / UDRHP. The Company states it clearly outlined in the DRHP that a portion of net proceeds would be allocated to acquiring CCDs from Ebix Asia Holdings and paying interest on these debentures.
79. The May 24, 2023, press release by Noticee 3 simply reiterated information already disclosed. According to the DRHP, the 2nd object for which the net proceeds from the issue shall be utilized is –
- “Purchase of outstanding compulsorily convertible debentures from Ebix Asia Holdings Inc, Mauritius which were issued by certain of our Subsidiaries and payment of interest on such outstanding compulsorily convertible debentures.”*
80. The DRHP's internal risk factors (Risk factor 23) under the head – ‘Internal Risk Factor’ disclosed about certain portion of net proceeds to be paid to the promoter group of the Company. Noticee submits that once the DRHP had already disclosed all the material information pertaining to the 2nd object, and given that the press release dated May 24, 2023 did not contain any additional material information, there was no requirement to disclose the information contained in the press release in the Addendum. Therefore, SEBI’s allegation of non-disclosure is disputed as lacking justification, as the BRLMs clarified this in their July 2023 letters. Since the aforesaid was disclosed in the DRHP, there is no question to disclose the same again in the addendum DRHP.

81. The Noticee contends that SEBI has expanded the disclosure requirements by alleging the need to disclose "ultimate utilization of funds" which is not a stipulated term in the ICDR Regulations. Therefore, this additional requirement lacks legal basis, and SEBI cannot mandate such a disclosure that exceeds statutory obligations. The use of proceeds for acquiring debentures and paying interest was explicitly stated, and where the same money is flowing or being used cannot be considered as non-disclosure or mis-informing, such requirement was unwarranted.
82. Noticee 1 cited Shiv Shakti Coop. Housing Society v. Swaraj Developers, reaffirming that courts cannot read into statutes what is not explicitly stated. Additionally, the Babita Lila v. Union of India judgment emphasizes avoiding *casus omissus* unless clearly intended by the legislature. Thus, since the regulations do not mandate disclosure of "ultimate utilization," of funds in the DRHP, SEBI cannot read the same into the ICDR Regulations.
83. Noticee contend that even if SEBI were to conclude that disclosures were insufficient, subsequent board ratification could legitimize such transactions, as established in Terrascope Ventures Limited v. SEBI. Here, SAT recognized that shareholder ratification via a special resolution could validate actions not initially disclosed.
84. Noticee contend that, even if SEBI incorrectly concludes that the objects of the issue were not appropriately disclosed, it is reiterated there is no securities market per se or there were no monies received from any investor and therefore there could not have been any event that could have affected 'interest of investor'.
85. Additionally, it is to be noted that Regulation 42 read with Schedule IX of ICDR Regulations do not mandate to reiterate the entire disclosure of DRHP in an

addendum and hence, the allegations made by the SEBI are unreasonable and without any force of law.

Instance 3: Reference dated July 07, 2023, “Ebix Provides a Strategic Update”

86. Noticee 1 denies any inconsistency between the press release by Noticee 3 on July 6, 2023, and the Addendum dated June 1, 2023. The Company asserts that the Addendum accurately disclosed adjustments in revenue recognition, with details on the cover page and in notes 67 and 71 of the Restated Consolidated Financial Information, as pointed out by the BRLMs in their letter dated July 11, 2023.
87. Additionally, with respect to the “short” report dated June 16, 2022, issued by Hindenburg Research LLC (“Hindenburg Report”) in relation to Noticee 3, Noticee 3 through press release dated July 14, 2023, and July 15, 2023, clarified that the Company has filed a suit before the Additional District Judge, Tis Hazari Court, Delhi (“Court”). Post the publication of the Hindenburg Report, Noticee 3 vide its press release dated June 21, 2022, clarified its position and gave a point wise reply to each and every baseless allegation made by the Hindenburg Report. In addition to this, Noticee 3 vide its press release dated July 07, 2022, updated the public with respect to the suit filed by the Company.
88. The press release dated July 06, 2023, is part of the Form 8-K filing to be made by Ebix Inc. with the US Securities and Exchange Commission (SEC). The same cannot be considered as advertisements, publicity material and research reports for the purpose of issuer and SEBI ICDR Regulations. In any case, Noticee 3 had immediately provided clarifications on the issue vide its letters dated July 14, 2023 and July 15, 2023.
89. The Updated Draft Red Herring Prospectus (UDRHP) contained details about the ongoing litigation against Hindenburg Research, which was still pending in the Tis

Hazari Court. Noticee 3 emphasizes that it has provided timely and complete disclosures, of all the material developments with respect to the baseless allegation put forth by the unverified Hindenburg Report.

90. Referring to the Supreme Court's stance in *Vishal Tiwari v. Union of India*, Noticee 1 argued that unverified third-party reports, such as the Hindenburg Report, lack conclusiveness and should not be deemed credible. Therefore, it would not have been appropriate to reference the Hindenburg Report in official offer documents due to its speculative nature.

91. Noticee 3 took abundant caution with respect to the Hindenburg Report by clarifying the position through its press release dated July 14, 2023, and July 15, 2023, along with filing of the defamation suit. The Court in its order dated July 05, 2022, had observed that statements in the impugned article are disparaging, misleading and defamatory in nature.

92. Noticee 1 submits that the information disclosed in the press release dated July 6, 2023 and the Addendum dated 1, 2023 does not mismatch. There is no incorrect disclosure made in the Addendum or in the press release. Therefore, there is no violation of any provision of the ICDR Regulations.

Instance - RBI's "Letter of Displeasure" dated March 21, 2023

93. It is alleged that Noticee 1 inadequately disclosed the issuance and impact of the RBI's letter dated March 21, 2023, on business and revenue in its press release on July 6, 2023. Noticee 1 argues that the SCN lacks clarity, particularly in defining the basis for SEBI's allegations. It emphasizes that the RBI letter, issued on March 21, 2023, was fully disclosed in the Addendum dated June 1, 2023. This disclosure highlighted that non-compliance with the RBI's Master Directions on Prepaid Payment Instruments dated August 27, 2021, had no material impact on the financial statements. DRHP was filed on March 09, 2022 and the RBI's letter is

dated only on March 21, 2022 and therefore the same could only have been disclosed in the Addendum which was duly done by the Noticee 1. Noticee 1 challenges the SCN as a vague, blanket allegation without specifying how the disclosure was inadequate.

94. Noticee 1 cites the Supreme Court's ruling in *Gorkha Security Services v. Govt. of NCT of Delhi*, which stresses that SCNs must clearly outline alleged breaches and proposed penalties, enabling the recipient to respond effectively. Similarly, in *Surender Kumar Jain v. Principal Commissioner, Delhi North Zone*, the Delhi High Court observed that SCNs should not be mechanically issued but should clearly articulate the proposed action's rationale to enable a meaningful response.

95. Noticee 1 asserts that it had already disclosed the issuance of the RBI's "letter of displeasure" to its subsidiary, Ebix Payment Services Private Limited, in the Addendum dated June 1, 2023. The disclosure explained that the subsidiary was required to amend its co-branding arrangements with banks to comply with RBI's Master Directions, changing its role from principal to agent in the arrangement and impacting only the revenue classification from a gross to net basis. The management assessed no material impact from this on the financial statements.

96. The Addendum included detailed reclassified revenue tables, as filed with SEBI in the UDRHP on pages 420 and 421, underscoring the Company's full compliance. Noticee 1 contends that this disclosure aligns with its responsibilities under Paragraph 1(c) of Schedule IX of the ICDR Regulations, demonstrating transparency and adherence to SEBI's disclosure standards.

SEBI's failure to initiate any proceedings against Merchant Banker:

97. SEBI's alleged that the Noticees ought to have included the information available in public domain, which was accessible to everyone including SEBI, in DRHP as and when any information arose. It is submitted that the same cannot be fastened

to the Noticees. In the scheme of ICDR Regulations, an issuer is mandatorily required to obtain the services of SEBI registered Merchant Banker who is a professional. When the entire material which is allegedly undisclosed is already in public domain and accessible to all, no liability can be fastened upon the issuer, just as liability is not fastened on the Merchant Banker.

98. According to the Regulation 23(1) of ICDR Regulations, every issuer has to mandatorily appoint a SEBI registered Merchant Banker as a LM to the issue. Further, Regulation 70(3) of ICDR provides the responsibility of the LM to complete its due diligence. Under the SEBI (Merchant Bankers) Regulations, 1992 ("MB Regulations"), it is the responsibility of the SEBI registered Merchant Banker to make adequate disclosures in a timely manner with respect to the DRHP or any Addendum to the DRHP.

99. The Noticee relies on judgments and orders by the Securities Appellate Tribunal (SAT) and SEBI to emphasize that Merchant Bankers are primarily responsible for ensuring the accuracy and adequacy of disclosures in public offers. The SAT has previously held that SEBI should have proceeded against the Merchant Banker in similar situations.

100. SEBI has stated in past orders that Merchant Bankers must act independently, focusing more on protecting investor interests than those of the issuer. The Noticee underscores this point, arguing that SEBI's approach in the SCN unfairly singles out the issuer while treating the Merchant Banker leniently.

101. The Noticee submits that SEBI's decision to only issue a warning to the Merchant Banker—without proceeding against them formally—indicates discriminatory treatment. The Noticee argues that if the alleged violations under the ICDR Regulations warrant adjudication against the issuer, they should similarly apply to the Merchant Banker.

102. The Noticee cites the SAT decision in the *DLF Limited* case, where the Tribunal stated that the primary responsibility for accurate disclosures in public issues rests with Merchant Bankers and statutory auditors. Therefore, SEBI's case against the Noticee alone is inconsistent with SAT precedents, which uphold Merchant Bankers' accountability in similar matters.

103. In addition to the above, from the office notes, it is evident that SEBI just few weeks before the Adjudicating Officer was appointed in the matter, had met the BRLMs as mentioned at page 5 of the office note which is as follows:

“met the BRLMs on 14/7/2023 & advised them to ensure complete disclosure...For the lapses given above warning may be issued to BRLMs and issuer and its promoters”

104. The Adjudicating Officer was appointed on August 22, 2023 and BRLMs met SEBI officers on July 14, 2022. The Company or its promoters were never sent an invite for the meeting or provided an opportunity to meet SEBI in this regard and SEBI only met the BRLMs. Subsequently, the record shows that SEBI let the SEBI registered BRLMs off with merely a warning letter, however, initiated adjudication proceedings against the Company and the Promoters. Furthermore, upon asking SEBI about the minutes of the meeting with BRLMs, SEBI vide email dated June 26, 2024 has stated below:

“...No such minutes of meeting dated July 14, 2023 are available on record. Thus, the request of the Noticees is not accepted”

105. Therefore, the reasons best known to SEBI, the department, dealing with DRHP, without any examination / investigation report by the separate investigation department as happens usually, recommended for appointment of Adjudicating Officer on the basis of meetings with BRLMs for which no minutes are available.

No Penalty Can Be Imposed On Noticee For Any Alleged Violation

106. Noticee contends that without prejudice to the above, even if it is found that the Noticee is non-compliant with the provisions outlined in the SCN, no penalty can be imposed. Furthermore, even if the alleged violations in the SCN were established, they are neither repetitive nor have resulted in any gain for the Noticee or loss avoidance in the process.
107. It is well-settled law that the power to impose a penalty includes the discretion to impose no penalty, depending on the circumstances. Not all breaches or errors are culpable, even if they could be construed as contraventions. If a Noticee can show bona fide actions and the authority cannot demonstrate mala fide intent, discretion should favour providing the benefit of the doubt to the Noticee. This principle is directly relevant to the Noticee's case.
108. The Noticee submits that any imposition of penalty would be unjustified in the given facts and circumstances. The Noticee has neither acted in conscious disregard of the law nor with any dishonest intent. The alleged violations are neither repetitive nor associated with any financial benefit or avoidance of loss. No investor has been defrauded by the Noticee, as the company did not become publicly listed, nor did it raise any funds from investors since the DRHP was withdrawn.
109. Section 15J Factors: Under Section 15J of the SEBI Act, SEBI must consider certain factors when determining the amount of penalty, such as the amount of gain or unfair advantage, the loss caused to investors, and the repetitive nature of the default. However:
- a) 15J(a): No evidence or allegation from SEBI indicates any disproportionate gain or unfair advantage obtained by the Noticee.
 - b) 15J(b): No finding or allegation by SEBI shows any loss caused to investors. The DRHP was withdrawn, and no funds were raised.
 - c) 15J(c): There is no evidence from SEBI that the alleged default was repetitive.

110. The Hon'ble Supreme Court's judgment in *SEBI vs. Shriram Mutual Fund* has often been cited by Adjudicating Officers to justify imposing penalties by focusing on select lines, which state that "penalty is attracted as soon as the contravention of the statutory obligation is established, irrespective of intent." However, if read correctly, this judgment merely holds that *mens rea* is not required for all statutory contraventions and does not imply that every minor or inadvertent contravention must be penalized.
111. The Hon'ble Supreme Court in *Bharjatiya Steel Industries v. Commissioner, Sales Tax, Uttar Pradesh (2008)* clarified that authorities should exercise discretion when deciding on penalties, considering *mens rea* as a relevant factor. Therefore, trivial breaches should not automatically attract penalties. In *SEBI v. Bhavesh Pabari*, the Hon'ble Supreme Court emphasized that SEBI Adjudicating Officers have sufficient discretion to impose or waive penalties based on factors beyond those listed in Section 15J. In *P.G. Electroplast and others v. SEBI*, the Hon'ble SAT held that even when a minimum penalty is prescribed, the authority may decline to impose it if the breach is technical or minor. The Hon'ble SAT in *Piramal Enterprises Limited v. SEBI* also highlighted that penalties should serve the purpose of securities market regulation and not unnecessarily tarnish an entity's reputation without significant fault.

KEY CONTENTIONS OF NOTICEE 2 and 3

112. Noticees 2 and 3 have made some similar contentions as made by Noticee 1 in regard to violation of principle of natural justice, inspection of documents and non-imposition of penalties, etc. The same are not repeated hereunder, as they are described above, and are dealt in the order below.

113. Noticees contend that SEBI's jurisdiction to issue the SCN is fundamentally flawed, as it lacks both the necessary jurisdiction over foreign entities and factual evidence of an impact on investors in India.

114. Lack of Jurisdiction Over Foreign Entities and the applicability of Nexus Theory: Noticees 2 and 3 are entities incorporated outside India and therefore, beyond the purview of SEBI's regulatory jurisdiction. It should be noted that the Applicant is an entity incorporated outside of India, and in the circumstances of the case, SEBI lacks jurisdiction to take action against the Noticees. According to, Section 1(2) of the SEBI Act, SEBI's jurisdiction only extends to the 'whole of India', and the statute does not confer it with the power to regulate acts that take place outside Indian territory.

115. Thus, it is clear that SEBI cannot have jurisdiction to take enforcement action against the Noticee No. 2 and Noticee No. 3 which are incorporated outside India for any alleged violation under the SEBI Regulations. In addition to the above, it is settled that any authority or a quasi-judicial body would have jurisdiction against overseas entities only and only when there is act committed which has 'nexus with India' and in the context of securities law, only and only when there is impact or nexus with the investors in India. Noticee referred judgements of Hon'ble Supreme Court in *GVK Industries v. Income Tax Officer* ((2011) 4 sec 36] and *SEBI v. Pan Asia Advisors* [AIR 2015 SC 2782].

116. SEBI cannot conveniently interpret the provisions of SEBI Act and expand its jurisdiction. Based on the aforementioned two judgments of the Hon'ble Supreme Court, the nexus theory does not apply to the present case. This is primarily because there were no investors involved, as the DRHP had already been withdrawn. It is submitted that, given the facts and circumstances surrounding Noticee 1, there was no securities market for SEBI to protect investor interests, since:

- a) there was no offer' of securities made to the public;
- b) no securities were 'issued' by the Company,
- c) no allotment was made to any investor;
- d) no money' was ever received from any investor(s); and
- e) there was no possibility of any loss being caused to any investor.

117. In the absence of both a securities market and investors in India, there can be no nexus with India, nor any need to protect the interests of investors. SEBI, in the SCN, has not provided any foundational facts to the contrary, and it is respectfully submitted that SEBI lacks the jurisdiction to issue or continue with the SCN.

118. Misapplication of Section 27 of the SEBI Act Against Noticees 2 and 3: Second, the sole basis as alleged in the SCN for proceeding against Noticees 2 and 3 is Section 27 of the SEBI Act. It is submitted that the invocation of Section 27 against Noticees 2 and 3 is plainly incorrect. Section 27, in effect, vicariously holds individuals liable for the violations committed by a company. It does not envisage a situation where one company (be it a holding company or otherwise) can be held liable for the violations allegedly committed by another company. Therefore, the reliance on Section 27 of the SEBI Act is completely misplaced.

119. Inapplicability of ICDR Regulations to Noticees 2 and 3 and the Responsibility of SEBI registered Merchant Bankers: Third, the ICDR Regulations are not applicable in this case. Noticees 2 and 3 have been implicated solely because they are the promoters of Noticee 1. Noticee 1 is an 'unlisted' entity and a 'non-issuer of securities to the public.' At best, it can be considered an 'unlisted issuer' as defined in Regulation 2(1(iij)) of the ICDR Regulations, since its equity shares are not listed on any recognized stock exchange. According to Regulation 3 of the ICDR Regulations, these regulations apply to unlisted issuers only in the event of an 'initial public offer' by an unlisted issuer. Regulation 2(1)(w) defines an 'initial public offer' as an offer of specified securities by an unlisted issuer to the public for

subscription. In the present case, there was no offer of securities by Noticee 1 to the public, as the DRHP dated March 09, 2022, including the Addendum dated June 01, 2023, filed with SEBI for the public issue, was withdrawn via email/letter dated December 22, 2023, issued by the BRLM to SEBI. Thus, since there was no 'initial public offer' by an 'unlisted issuer,' Regulation 3 of the ICDR Regulations does not apply. Therefore, Noticee 1 has not made any initial public offer.

120. By no stretch of the imagination should Noticees 2 and 3 be proceeded against under the SCN merely by virtue of being promoters of Noticee 1 for any alleged violation related to Noticee 1 's filing of a DRHP through SEBI-registered merchant bankers.

121. Furthermore, the filing of a Draft Red Herring Prospectus (DRHP) cannot be considered an 'offer' under Regulation 3 of the ICDR Regulations. A DRHP is simply a document indicating a company's intention to raise capital from the market and does not constitute an 'offer' for the following reasons:

- a) A DRHP is a preliminary document that reflects the issuer's intention to go public or list its securities, but it does not constitute an offer itself;
- b) The DRHP does not specify the total number of securities or the price at which the securities will be issued;
- c) Investors cannot subscribe to securities based solely on the DRHP available on the SEBI portal;
- d) The DRHP is subject to SEBI's observations and, if the issuer still wishes to proceed, it will subsequently file a Red Herring Prospectus or Prospectus;
- e) The issuer only makes an invitation to offer to the public once a 'Prospectus' is filed, not before; and
- f) The entire purpose of filing a draft document with SEBI is for SEBI to correct the mistakes in the draft, if any, and guide the to be listed company through a SEBI registered merchant banker.

122. An offer to subscribe to shares or securities only commences once the Offer Document is finalized by SEBI and registered with the Registrar of Companies (ROC). This procedural step has not occurred in this case. This position is supported by the judgment of the Hon'ble Securities Appellate Tribunal (SAT) in the case of DLF Limited v. SEBI.
123. It is pertinent to note that the BRLMs who are responsible in terms of Regulation 13 r/w Schedule III - Code of Conduct for Merchant Bankers under the SEBI (Merchant Bankers) Regulations were in fact issued merely a warning and on the contrary, against Noticee 1 who had already withdrawn its DRHP, despite being in knowledge of the same, adjudication proceedings have been initiated. Since SEBI has not proceeded against the BRLMs, SEBI ought not to proceed against the Noticees as well and reliance in this regard is placed on the case of DLF Limited (supra) wherein the Hon'ble SAT clearly stated that primary responsibility is of a merchant banker and SEBI ought to proceed against them as well which was not done by them.
124. SEBI lacks jurisdiction over Noticees 2 and 3, as they are not 'promoters of a listed entity.' At this stage, Noticees 2 and 3 cannot even be classified as such, since they would only attain the status of promoters of a 'listed company' once Noticee 1 becomes listed, which has not occurred due to the withdrawal of the DRHP. The term 'promoter' under the ICDR Regulations applies only after the listing of the company. Until the offer document is approved and the shares of Noticee 1 are listed, SEBI's interactions and regulatory oversight pertain solely to the SEBI-registered merchant banker, who is responsible under the ICDR Regulations. Despite this, the Merchant Bankers were merely issued a warning, even though it was their responsibility to ensure compliance with the ICDR Regulations. Therefore, SEBI's jurisdiction over Noticees 2 and 3 can only be established once Noticee 1 is listed.

125. Fifth, even if it is assumed (though denied) that the ICDR Regulations are applicable, no loss has been caused by the Noticees to prospective investor since the DRHP has been withdrawn. At the time of withdrawal, no investment had been made, and prospective investors were not exposed to any financial risk. Consequently, there exists neither a factual loss nor a potential loss to any prospective investor. Absent any loss caused to investors, there is no jurisdiction to allege any violation of ICDR Regulations.

126. It is a settled law that one party cannot be punished or penalized for the alleged defaults of another. Under Section 15HB of the SEBI Act, the charging provision cited in the SCN, penalties can only be imposed on the person who is required to make a disclosure and fails to do so. Noticees 2 and 3 had no obligation to disclose events, file the DRHP, or appoint SEBI-registered merchant bankers.

127. Therefore, imposing a penalty on Noticees 2 and 3 solely because they are promoters of Noticee 1, which sought to list in India and filed a draft document for SEBI's approval through SEBI-registered merchant bankers, is unwarranted. Such a penalty would be a travesty of justice, given the facts and circumstances of the case.

128. SEBI's unreasonable volte-face in its regulatory approach not only lacks justification but also undermines the principles of fair governance and estoppel. SEBI's issuance of the Show Cause Notice (SCN) is arbitrary and unreasonable, given that SEBI had previously determined that only an administrative warning was necessary. This initial assessment is reflected in SEBI's office notes, indicating a lack of justification for the subsequent decision to escalate the matter. SEBI's Corporate Finance Department (CFD) initially recommended a warning letter for both the Noticees and their merchant bankers. However, following a meeting on July 19, 2023, SEBI shifted its stance without providing any rationale. The office notes fail to clarify the basis for this significant change.

129. In support of their position, the Noticees reference the ruling by the Securities Appellate Tribunal (SAT) in the matter of S.K. Chowdhary v. SEBI, which underscores the principle of estoppel. This precedent highlights the expectation that regulatory bodies should maintain consistency in their positions and decisions.

130. Noticees assert that they have not violated any provisions of the SEBI Act or the ICDR Regulations. They contend that even if any violation were to be accepted (which they deny), no penalties should be imposed on them under Section 15HB for alleged false disclosures in the Draft Red Herring Prospectus (DRHP).

- a) There are no substantive grounds for alleging violations of the SEBI Act or the ICDR Regulations by Noticees 2 and 3. They adopt the arguments presented by Noticee 1 regarding the merits of the allegations.
- b) Even if it is assumed that the allegations against Noticee 1 are proven, the Noticees contend that the criteria for holding Noticees 2 and 3 liable under Section 27 of the SEBI Act are not met. The Act does not permit a company to be held accountable for another company's alleged violations, meaning that Noticees 2 and 3, both corporate entities, cannot be responsible for any infractions attributed to Noticee 1.
- c) The Noticees further argue that SEBI cannot invoke Section 27(1) against them because neither Noticee 2 nor Noticee 3 was responsible for Noticee 1's business operations. The SCN does not provide adequate explanation or evidence to demonstrate how they were involved in or accountable for the conduct of Noticee 1's business.
- d) Referencing the Supreme Court's ruling in *K.K. Ahuja v. V.K. Vora*, the Noticees point out that only specific individuals responsible for a company's business conduct can be proceeded against. The SCN lacks details justifying the inclusion of Noticees 2 and 3.
- e) Citing the Allahabad High Court case of *Sri Bhagirath Arya v. State of Uttar Pradesh*, the Noticees assert that being a promoter and controller of a

company does not automatically incur liability. Therefore, SEBI lacks sufficient grounds to act against Noticees 2 and 3 under Section 27(1) of the SEBI Act.

- f) The Noticees maintain that they provided sufficient public communications regarding the company's affairs. They highlight that the proviso to Section 27(1) exonerates individuals who exercised due diligence to prevent alleged offenses. Noticee 3 had at several instances made public statement through press releases and in turn has complied with Para (1) of Schedule IX of ICDR Regulations. The list along with details of 4 such disclosures made through press releases are provided.

131. Noticee 3 is a listed company at NASDAQ and therefore all the relevant disclosures were indeed made as evident from hereinabove. Furthermore, the Noticee 2 is not a listed company and it is a matter of record that it is a private limited company having no obligation or opportunity to issue any such press releases.

132. Thus, the Noticees 2 & 3 exercised all the due diligence to prevent the commission of the alleged violation of incorrect disclosure and non-disclosure by giving adequate clarification with respect to material developments. Hence, there is no case made out against Noticees 2 and 3 under Section 27(1) of the SEBI Act for any alleged violation of ICDR Regulations.

133. In view of the aforesaid submissions, the Noticees submit that they have not violated any provision of the SEBI Act or the ICDR Regulations, as alleged in the SCN. Even if it assumed (though denied) that any violation is established, as submitted hereinabove, no penalty can be imposed on any of the Noticees under Section 15HB for false or incorrect disclosure in the DRHP.

CONSIDERATION OF ISSUES AND FINDINGS

134. I have carefully perused the charges levelled against the Noticees in the SCN, submissions made by the Noticees and material available on record. The issues that arise for consideration in the present case are as follows:

- I. Whether the Noticees have violated the provisions of the Act, Regulations and Circulars as indicated at Para 1?
- II. Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act?
- III. If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15-J of the SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules?

135. The said provisions under which violations have been alleged against the Noticees are reproduced below:

SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 **Contravention by companies.**

27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against 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 contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS 2018

Public communications, publicity materials, advertisements and research reports

42. All public communication, publicity materials, advertisements and research reports shall comply with the provisions of Schedule IX.

Relevant Provisions of Schedule IX- Public Communications and Publicity Materials of ICDR Regulations, 2018 inter-alia includes the following:

(1) Any public communication including advertisements, publicity material and research reports (referred to as public communication) issued or made by the issuer or its associate company, or by the lead manager(s) or their associates or any other intermediary connected with the issue or their associates, shall contain only such information as contained in the draft offer document/offer document and shall comply with the following:

(a) it shall be truthful, fair and shall not be manipulative or deceptive or distorted and it shall not contain any statement, promise or forecast which is untrue or misleading;

(b) if it reproduces or purports to reproduce any information contained in the draft offer document or draft letter of offer or offer document, as the case may be, it shall reproduce such information in full and disclose all relevant facts not to be restricted to select extracts relating to that information;

(c) it shall be set forth in a clear, concise and understandable language;

(d) it shall not include any issue slogans or brand names for the issue except the normal commercial name of the issuer or commercial brand names of its products already in use or disclosed in the draft offer document or draft letter of offer or offer document, as the case may be;

(e) it shall not contain slogans, expletives or non-factual and unsubstantiated titles;

(f) if it presents any financial data, data for the past three years shall also be included alongwith particulars relating to revenue, net profit, share capital, reserves / other equity (as the case may be), earnings per share, dividends and the book values, to the extent applicable;

- (g) issue advertisements shall not use technical, legal or complex language and excessive details which may distract the investor;*
- (h) issue advertisements shall not contain statements which promise or guarantee rapid increase in revenue or profits;*
- (i) issue advertisements shall not display models, celebrities, fictional characters, landmarks, caricatures or the likes;*
- (j) issue advertisements on television shall not appear in the form of crawlers (advertisements which run simultaneously with the programme in a narrow strip at the bottom of the television screen) on television;*
- (k) issue advertisements on television shall advise the viewers to refer to the draft offer document or offer document, as the case may be, for the risk factors;*
- (l) an advertisement or research report containing highlights, shall advise the readers to refer to the risk factors and other disclosures in the draft offer document or the offer document, as the case may be, for details in not less than point seven size;*
- (m) an issue advertisement displayed on a billboard/banners shall contain information as specified in Part D of Schedule X;*
- (n) an issue advertisement which contains highlights or information other than the details contained in the formats as specified in Schedule X shall prominently advise the viewers to refer to the draft offer document and offer document for details and risk factors.*

(4) *The issuer shall make a prompt, true and fair disclosure of all material developments which take place between the date of filing offer document and the date of allotment of specified securities, which may have a material effect on the issuer, by issuing public notices in all the newspapers in which the issuer had released pre-issue advertisement under applicable provisions of these regulations;*

(5) The issuer shall not, directly or indirectly, release, during any conference or at any other time, any material or information which is not contained in the offer document.

(6) For all issue advertisements and public communications, the issuer shall obtain the approval from the lead manager(s) responsible for marketing the issue and shall also provide copies of all issue related materials to all lead manager(s).

136. Based on perusal of the material available on record and giving regard to the facts and submission of the Noticees and circumstances of the case, I record my findings hereunder:

Issue I. Whether the Noticees have violated the provisions of the Act, Regulations and Circulars as indicated at Para 1?

137. I note that Noticees have made certain preliminary contentions in their replies. Before addressing the substantive issues and charges outlined in the SCN, I consider it essential to evaluate and address these preliminary contentions, as elaborated in the following paragraphs.

138. The Noticees have challenged SEBI's jurisdiction in this matter. Firstly, Noticee 1 contends that SEBI lacks authority under the ICDR Regulations. The argument hinges on the claim that these regulations are applicable only to public offerings by listed issuers or in instances where an IPO has materialized. According to Noticee, the withdrawal of the DRHP renders the ICDR Regulations inapplicable, as no IPO occurred and no public funds were solicited, thus leaving no investor interests at risk.

139. I note that by filing its DRHP, Noticee 1 evidenced its intent to list. Further, it is noted that the SCN was issued on December 15, 2023 and admittedly DRHP was withdrawn on December 22, 2023. Hence at the time of issuance of the SCN, the

DRHP was filed with SEBI, and the process for IPO and subsequent listing was underway. Section 24(1) of the Companies Act, 2013, unequivocally extends SEBI's jurisdiction to entities intending to list their securities on recognized stock exchanges, the aforesaid section is reproduced below for reference:

THE COMPANIES ACT, 2013

24. Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.—

(1) The provisions contained in this Chapter, Chapter IV and in section 127 shall,—

(a) in so far as they relate to —

(i) issue and transfer of securities; and

(ii) non-payment of dividend,

by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations in this behalf;

140. Furthermore, Regulation 2(1)(hb) of the SEBI (Prohibition of Insider Trading) Regulations, 2015, classifies entities that have filed offer documents as “proposed to be listed.” The aforesaid Regulation is reproduced below for reference:

SEBI (Prohibition of Insider Trading) Regulations, 2015

2(1)

.....

(hb) “proposed to be listed” shall include securities of an unlisted company:

(i) if such unlisted company has filed offer documents or other documents, as the case may be, with the Board, stock exchange(s) or registrar of companies in connection with the listing; or (ii) if such unlisted company is getting listed pursuant to any merger or amalgamation and has filed a copy of such scheme of merger or amalgamation under the Companies Act, 2013;]

141. In this regard, the Noticee argue that definitions from other regulations should not apply, in this regard I note that the Regulation 2(2) of ICDR Regulations, provides for, that the meaning of the words and expressions used but not defined in ICDR

Regulations, will have the same meaning as assigned to them in Regulations made under SEBI Act. Hence, I find no merit in argument of the Noticee that the meaning of 'proposed to be listed' from PIT Regulations cannot be applied in the instant proceedings. The aforesaid Regulation is reproduced below for reference:

SEBI ICDR Regulations

2 (2) *All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such statutes or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.*

142. Further, I note that this interpretation of 'proposed to be listed' aligns with SEBI's overarching mandate to oversee and regulate entities intending to raise funds from the public. Consequently, the argument that the definition of "proposed to be listed" from the PIT Regulations is inapplicable lacks merit.

143. I note that the subsequent withdrawal of the DRHP does not negate SEBI's jurisdiction. Violations of the ICDR Regulations occurred while the entity was in the process of coming out with IPO and listing, and the regulatory framework at that time governs the adjudication proceedings. Withdrawal of the DRHP post-SCN issuance cannot retrospectively absolve Noticee 1 of its regulatory obligations.

144. The contention that the DRHP is merely an intent document is unfounded. Regulation 24 of the ICDR Regulations mandates that the DRHP provide accurate and comprehensive disclosures to enable informed decision-making by investors. The DRHP serves as the foundation for the final prospectus, and any misleading or inaccurate disclosures undermine market integrity and investor confidence.

145. In view of the above, I find that that SEBI has jurisdiction to issue the SCN and examine the actions of Noticee 1.

146. Secondly SEBI's jurisdiction is contested, particularly with respect to Noticees 2 and 3, which are foreign entities. Noticees argue that SEBI lacks jurisdiction over entities incorporated outside India, as its authority is limited to the 'whole of India' under Section 1(2) of the SEBI Act. They also contend that SEBI's jurisdiction extends to foreign entities only when there is a direct nexus with India.

147. It is pertinent to note that while SEBI's jurisdiction is primarily territorial, the principle of nexus and its extraterritorial application have been upheld in various contexts, particularly in matters impacting Indian investors and the securities market. The Hon'ble Supreme Court, in *SEBI v. Pan Asia Advisors*, recognized SEBI's jurisdiction to act against foreign entities when their actions have a demonstrable impact on the securities market or investors in India. Thus, SEBI's authority extends beyond territorial boundaries when a direct connection to India's securities market is established.

148. In the present case, Noticee 2 has been identified as a 100% shareholder of Noticee 1, and Noticee 3 is a promoter of Ebix International Holdings Limited (100% subsidiary of Ebix Inc.), which holds a controlling stake in Noticee 2. Further, both Noticee 2 and Noticee 3 are named as "promoters" in the DRHP filed by Noticee 1. The term "promoter," as defined under Regulation 2(1)(oo) of SEBI (ICDR) Regulations, includes persons having direct or indirect control over the issuer's affairs or those named as promoters in offer documents. This establishes a clear connection of Noticees 2 and 3 with Noticee 1 and the proposed IPO of Noticee 1.

149. As promoters, the actions of the Noticees 2 and 3 influence investor confidence and perception of the IPO of the Noticee 1 in the securities market in India. The filing of the DRHP is a formal and substantive step in the process of offering securities, creating legitimate expectations among prospective investors. Since,

the DRHP contains material information, critical to investor decision making, its accuracy and reliability directly impacts investor confidence and market integrity.

150. The Noticees argue that the withdrawal of the DRHP nullifies any impact on the securities market or investors in India, thereby negating the nexus theory. In this regard, I note that the, while the DRHP was eventually withdrawn, its filing itself constitutes a preparatory action aimed at mobilizing resources from the Indian securities market. The DRHP explicitly identifies Noticees 2 and 3 as promoters, placing them in a position of responsibility and influence over the market dynamics and public perception. The withdrawal of the DRHP does not absolve Noticee 2 and 3 of their regulatory responsibilities as promoters, nor does it limit SEBI's jurisdiction to examine potential contraventions of regulations during the preparatory phase.

151. SEBI's mandate to safeguard the securities market extends to all stages of the securities offering process, including pre-issue stages. Ensuring the integrity of disclosures in offer documents is a critical regulatory responsibility, irrespective of whether the offering materializes. Public communications by promoters, including press releases issued by Noticee 3, have the potential to shape market perceptions even before securities are offered. This underscores SEBI's jurisdiction over such actions.

152. The Noticees' contention that SEBI cannot expand its jurisdiction by interpretation is misplaced. SEBI's jurisdiction is derived from its legislative mandate to protect investors and maintain market integrity. Any interpretation of its jurisdiction must be consistent with this objective. In the present case, the involvement of Noticees 2 and 3 as promoters of Noticee 1 directly impacts Noticee 1's listing process, perception among investors and onus on Noticee 2 and 3 to comply with the regulations. While the withdrawal of the DRHP precluded the issuance of securities, it does not absolve the Noticees of their responsibilities under SEBI

regulations or negate SEBI's jurisdiction to ensure compliance during the preparatory stages. The contentions of the Noticees, therefore, lack merit.

153. In view of the above, I find that that SEBI has jurisdiction to issue the SCN and scrutinize the actions of Noticees 2 and 3. Their roles as promoters in the DRHP and their control over Noticee 1 establish a sufficient nexus with India's securities market. SEBI's regulatory mandate to protect investors and ensure market integrity justifies its oversight of preparatory actions, including those undertaken by foreign entities when they have a demonstrable impact on the Indian market. Accordingly, the contentions raised by the Noticees are without merit.

154. The Noticees have alleged procedural impropriety, asserting that SEBI unreasonably shifted its stance from issuing an administrative warning to initiating adjudication proceedings. They argue that this volte-face indicates non-application of mind and bias. I note that, recommendations by SEBI's internal departments, including administrative warnings, are part of a deliberative process and do not bind the competent authority. The competent authority retains the discretion to discuss, seek clarifications, and modify the proposed actions based on the gravity of violations. It is noted from the records, that pursuant to discussion with the competent authority, the operational department examined the legal provision with respect to "to be listed", and subsequently, proposed adjudication proceedings against the Noticees considering the gravity of non-compliances in the matter, which was subsequently approved by the competent authority on August 09, 2023.

155. I note that operational department is not prohibited from revisiting its assessment of regulatory violations, and internal recommendations, in the form of action matrix proposal put up before the competent authority. On the contrary since the process of proposal to approval of action matrix in a matter is a deliberative one, involving multiple officials across various grades/ designations; necessary changes are made in the proposal wherever needed to ensure that correct details of alleged

violations, evidences in support of appropriate enforcement proceedings are put up before the competent authority. In the instant matter, as per records, considering the gravity of non-compliances in the matter, operational department decided to escalate the enforcement action from administrative warning to adjudication proceedings, which was approved by the competent authority.

156. Further, Noticee has contended that absence of separate noting or comments from competent authority, and him merely signing the revised action matrix, suggests non-application of mind. In this regard I note from the records that when the initial proposal was put for consideration before the competent authority, the competent authority had discussion with operational department, which led to operational department to examine matter, and subsequently the action matrix was revised. Hence, competent authority was actively involved in the matter, when the revised proposal came for approval, and as competent authority deemed the proposal appropriate, he approved it by signing. Lack of noting or comments by competent authority cannot be construed as non-application of mind. In view of the above the contention of the Noticee is devoid of merit. Further, the issuance of a SCN is a statutory process initiated based on approved enforcement proceedings, and should not be compared with internal recommendations or preliminary views of the operational department.

157. The Noticees invoke the doctrine of issue estoppel, arguing that SEBI's escalation from an administrative warning to adjudication proceedings constitutes reopening a previously decided issue. This argument is misplaced. Issue estoppel applies only when a specific issue, forming a critical element of a cause of action, has been conclusively litigated in prior proceedings. In this case, the competent authority's decision to approve adjudication proceedings, was based on revised proposal from operational department, fresh deliberations and was approved as part of a normal course of processing the matter. No instance of reopening a previously decided issue arises here.

158. The Noticee has also contended that Adjudicating Officer's communication with SEBI departments to instruct them to amend or clarify alleged violations point to departmental bias. In this regard, I note from the records that there was no instructions issued by the erstwhile AO to the operational department, but certain clarifications were sought to ensure that SCN in the adjudication proceedings accurately describe nature of violations/offences alleged to have been committed by the entities, to enable the entities to effectively reply to charges framed in the SCN. It is also noted that enforcement processes sometime require clarifications from the operational department to ensure accuracy in SCN issued to Noticees. This approach aligns with principles of natural justice and strengthens the adjudicatory process rather than undermining it. Further, the Noticees have not provided substantive evidence to support claims of bias or procedural impropriety. SEBI's action matrix was revised to address specific violations observed post-investigation, underscoring its commitment to due process. In view of the above, the contention of the Noticee is without merit.

159. The Noticees have contended that application of Section 15HB of SEBI Act in the instant matter is inappropriate, as Section 15A(a) of the SEBI Act, 1992, is the appropriate provision for imposing penalties for furnishing false information. In this regard, I note that Section 15A(a) penalizes the failure to furnish required information, documents, or returns to the Board or any authority in compliance with the provisions of the SEBI Act, its rules, or regulations. Specifically, it states: *"If any person, who is required under this Act or any rules or regulations made thereunder... (a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty...."* However, the violations alleged in the matter pertain to the failure to adhere to norms specified under Regulation 42 and Schedule IX of the SEBI ICDR Regulations, related to ensure that public communications and publicity materials related to securities offerings are transparent, factual and not misleading, thereby protecting investors and upholding

market integrity. These violations do not involve the failure to submit information or documents to SEBI but involve inaccurate and misleading public communications, which is the breach of procedural and regulatory requirements under the ICDR Regulations.

160. I find that the Section 15HB of the SEBI Act applies as it addresses instances where no specific penalty is provided for violations of the Act, its rules, or regulations. Section 15HB states: *“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 may extend to one crore rupees.”* The alleged violations, including the insufficient disclosure of material details and the omission to obtain approvals, do not fall within the purview of Section 15A(a), as they are not related to the failure to furnish documents or returns. Instead, they represent broader non-compliance with SEBI’s regulatory framework aimed at ensuring transparency and investor protection, making Section 15HB the appropriate provision.

161. Moreover, applying Section 15HB aligns with the intent of the legislature to cover instances of regulatory non-compliance that are not explicitly penalized under other sections of the Act. While Section 15A(a) specifically targets the failure to furnish required information or documents to SEBI, it does not extend to violations concerning public communications pertaining to DRHP and procedural lapses. The Noticees’ non-compliance with the ICDR Regulations, including the lack of approval and the inadequate disclosure of material information in public communications, constitutes a distinct category of violations. These are effectively addressed under the broader ambit of Section 15HB, ensuring accountability for breaches of SEBI’s disclosure standards. In view of the same, the contention of the Noticees are not accepted.

162. The contention raised by the Noticees that SEBI's failure to initiate proceedings against the Merchant Banker undermines the validity of the present case is without merit. It is pertinent to note that the proceedings against Merchant Bankers or Lead Managers (LMs) are independent of the adjudication against the issuer and its promoters. The undersigned in the present proceedings is tasked with determining the liability of the Noticees based on their conduct and compliance with the applicable regulations, irrespective of any enforcement action taken or not taken against the Merchant Bankers involved in the proposed IPO of the Noticee 1. The regulatory framework under SEBI (ICDR) Regulations, 2018, clearly places specific responsibilities on issuers, including Noticees, to ensure accurate and comprehensive disclosures in public communications and press releases. Noticee 3, in this case, is alleged to have made press releases containing inadequate or misleading information, omitting crucial details. Noticee 1, in its capacity as the issuer, is alleged to have failed to seek prior approval from the Lead Managers for these press releases, as mandated under Regulation 42 of the ICDR Regulations. The alleged violations are direct on the part of the Noticees and cannot be attributed to any alleged lapses on the part of the Lead Managers.

163. The argument that Merchant Bankers have primary responsibility for due diligence and disclosures in public offers does not absolve the issuer of its obligations under the ICDR Regulations. In the present case, the Noticees' failure to adhere to the regulatory requirements for approval and accurate disclosure constitutes non-compliance independent of the Merchant Banker's role. Therefore, the alleged leniency or enforcement decisions regarding the Merchant Bankers are irrelevant to the findings and adjudication in the instant matter.

164. I note that the Noticees have contended that SEBI failed to provide complete and unredacted access to crucial documents integral to their defense. Specifically, they alleged that the inspection opportunity granted on April 10, 2024, was inadequate, as SEBI withheld relevant materials and provided only redacted versions of certain

documents. The Noticees argued that this selective disclosure infringed upon their right to a fair trial and their ability to defend against the allegations. The Noticees relied on judicial precedents, including *M/s. Amadhi Investments Ltd. v. SEBI*, *T. Takano v. SEBI*, and *Sunita Agarwal v. SEBI*, to assert that SEBI is obligated to disclose all pertinent and relied-upon materials, as transparency is fundamental to upholding principles of natural justice. They further alleged that SEBI misapplied the judgment in *Kavi Arora* to justify the withholding of critical documents. Further, Noticees filed an application under Order XI Rule 12 of the Code of Civil Procedure, 1908, seeking disclosure of additional documents, which Noticee claim SEBI denied on June 26, 2024. The Noticees contend that SEBI's refusal to disclose certain materials—such as unredacted office notes, legal opinions, and administrative communications—prejudiced their defense and contradicted established regulatory norms.

165. In this regard from the records I note that, Noticees were provided with relevant and relied upon documents as Annexures along with the SCN. Further, in response to Noticees request for inspection of document, Noticees were provided with opportunity of inspection of document on April 10, 2024, and during inspection following documents were given:

- a) *Original/Copy of Office notes in the matter*
- b) *Original Communique dated August 22, 2023*
- c) *Copy of LM's letter dated March 23, 2023 along with its enclosures*
- d) *Copy of SEBI email dated 15 June 2023 and its enclosures*
- e) *Copy of SEBI email dated June 19, 2023 and subsequent correspondence with LM*
- f) *Copy of LM's letter dated 20 June 2023 along with its enclosures*
- g) *Copy of SEBI email dated 07 July 2023 along with press release*
- h) *Copy of LM's letter dated 11 July 2023 along with its enclosures*
- i) *Copy of LM's letter dated 12 July 2023 along with its enclosures*
- j) *Copy of SEBI email dated 07 July 2023 along with press release*
- k) *Copy of LM's letter dated 17 July 2023 along with its enclosures*
- l) *Copy of LM's letter dated 20 July 2023 along with its enclosures*

166. It is also noted that, the Noticees vide Miscellaneous application dated April 18, 2024, raised issues with respect to the inspection, to which the erstwhile AO responded vide email dated June 26, 2024, wherein certain documents were provided and inter alia following was informed to Noticees with respect to the request made for documents:

S.No.	Request of Noticees	Comments of AO
1	Copy of the Investigation/Examination report along with annexures:	It is confirmed that there is no examination/investigation report in the documents and information available on the records. The examination/investigation/analysis conducted by SEBI in the matter, is recorded in the office notes. Further, all the office notes which are relevant and relied upon in the matter, detailing the alleged violations have been shared with the Noticee.
2	Complete and unredacted Office Notes:	During the inspection, complete set of office notes (ONs) in the matter was shown for inspection. It is only in the copy of the ONs provided during the inspection, certain redactions on page numbers, office note numbers, name, signature and designation of the SEBI officials were carried out. Further, in view of the requests of the Noticees, now a new set of copy of the ONs (shown during the inspection) is now provided with only names of the SEBI officials redacted.
3	Copy of reference dated July 07, 2023	The requested reference is not relevant or relied upon for the non-compliance alleged, further, the SEBI email dated July 07, 2023 contains the link to the relevant 'Press Release' and SEBI's communication to the LM in this regard. All the relevant and relied upon documents in the context of alleged non-compliances wrt aforementioned Press release have already been shared, which are sufficient to understand the context and the non-compliances alleged. Hence, the request of the Noticees is not accepted.
4	Email dated July 12, 2023	In this regard it may be noted that the Office note inadvertently (typographical error) referred the email dated July 12, 2023 as email dated July 13, 2023. Further, the email dated

S.No.	Request of Noticees	Comments of AO
		<i>July 12, 2023 has already been provided to the Noticees.</i>
5	<i>Draft Warning letters to Issuer Company, Promoters and BRLMs</i>	<i>The request is vague, and doesn't specify how the requested documents is relevant to the alleged non-compliances by the Noticees. Further, the referred draft letters are neither part of the material available on record nor is it relevant or relied upon for alleging the non-compliances by the Noticees. Thus, the request of the Noticees is not accepted.</i>
6	<i>Copy of Legal Opinion / Legal Examination of scope of 'to be listed'</i>	<i>Copy of the ONs shown during the inspection is now provided with only names of the SEBI officials redacted. The Noticees may refer Page Nos. 8-10 of the ONs provided.</i>
7	<i>RAC-DIL reference dated August 04, 2023</i>	<i>Refers to the RAC-DIL's office note dated August 04, 2023, which was shown during inspection, and copy of the same is being provided. The Noticees may refer Page No. 11 of the ONs provided.</i>
8	<i>SEBI CFD-SEC email dated August 07, 2024 and SEBI CFD-DIL-II email dated August 08, 2024</i>	<i>The emails are attached herewith.</i>
9	<i>Administrative warning letter issues to 5 BRLMs</i>	<i>The request is vague since it doesn't specify how the requested documents are relevant to the alleged non-compliances by the Noticees. Further, the requested letters are neither part of the material available on record nor is it relevant or relied upon for alleging the non-compliances by the Noticees in the instant matter. Thus, in view of the above, the request of the Noticees is not accepted.</i>
10	<i>CMS entry and emails to and from FDM2</i>	<i>The request is vague, and doesn't specify how the requested documents are relevant to the alleged non-compliances by the Noticees. The requested documents are part of internal procedure and not relevant or relied upon for the non-compliances alleged. Thus, the request of the Noticees is not accepted.</i>
11	<i>Copy of approval of revised action matrix by ED, CFD</i>	<i>The Noticees may refer Page No. 24 of the copy of the ONs provided.</i>
12	<i>Copy of order dated August 22, 2023 for appointment of AO</i>	<i>The Noticees may refer Page No. 17 of the copy of the ONs provided.</i>

S.No.	Request of Noticees	Comments of AO
13	<i>Copy of Motilal Oswal Investment Advisors Limited letter dated March 09, 2022</i>	<i>The copy of the requisite letter is attached.</i>
14	<i>Copy of SEBI issued final observation letter dated April 10, 2023</i>	<i>The copy of the requisite letter is attached.</i>
15	<i>Copy of all SEBI communication with BRLMs and minutes of meeting dated July 14, 2023</i>	<i>The request is vague, since it doesn't specify how the requested documents are relevant to the alleged non-compliances by the Noticees. Further, all documents which were part of the record and which have been relied upon or relevant to the instant proceedings have been already provided. No such minutes of meeting dated July 14, 2023 are available on record. Thus, the request of the Noticees is not accepted.</i>
16	<i>Copy of proceedings issued in respect of the Lead Managers in the proposed IPO of Ebixcash Ltd.</i>	<i>No such document is available in material on record in the instant adjudication proceedings nor is it relevant or relied upon for alleging the non-compliances by the Noticees in the instant matter. Thus, in view of the above, the request of the Noticees is not accepted.</i>
17	<i>Copies of the references received by SEBI in relation to the proposed IPO of Ebixcash Limited; Copies of the examination conducted by SEBI in relation to references received</i>	<i>The references and the examination thereof which are relevant and have been relied upon for framing of the charges and alleging the non-compliances by the Noticees have already been shared with the Noticees.</i>
18	<i>Copy of communication(s) with Vyoman India Private Limited and Mr. Ashok Goel with respect to the reference dated June 12, 2023</i>	<i>There are no such communications available in the material on records.</i>
19	<i>Copy of SEBI communication(s) with BW Business World and Exchange4Media in the present proceedings</i>	<i>There are no such communications available in the material on records.</i>
20	<i>Copy of any communication/information/document basis which reference dated July 06, 2023 (Instance no. 3) was issued by the Assistant Manager, Division of Issue and Listing</i>	<i>The reference with regards to Instance no 3, refers to email dated July 07, 2023 from email id "drhpanalyst@protonmail.com". The same was shown during inspection and copy was also provided.</i>

S.No.	Request of Noticees	Comments of AO
21	<i>Copy of any communication with the RBI with the respect of letter of displeasure dated March 21, 2023</i>	<i>There are no such communications available in the material on records.</i>
22	<i>Copy of any communication with the Division of Issue and Listing, SEBI with respect to the present matter.</i>	<i>The request is vague and does not mention any specific document. The documents and information which are relevant and have been relied upon for the framing the charges and alleging the non-compliances by the Noticees have already been shared with the Noticees. Thus, the request of the Noticees is not accepted.</i>
23	<i>Any other communication with the Lead Manager with the respect to the present matter which are not part of the Show Cause notice and annexures but are in the possession of SEBI</i>	<i>The request is vague and does not mention any specific document. The documents and information which are relevant and have been relied upon for the framing the charges and alleging the non-compliances by the Noticees have already been shared with the Noticees. Thus, the request of the Noticees is not accepted.</i>
24	<i>Copy of the opinion formed by SEBI for initiation of the adjudication proceedings</i>	<i>The Noticees may refer Page No. 24 of the copy of the ONs provided.</i>
25	<i>Copy of the opinion formed by the Adjudicating officer that an inquiry should be held against the Noticee</i>	<i>The Rule 4 (2) of the SEBI (procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officers) Rules, 1995 provides that every Notice under sub-Rule (1) to any such person shall indicate the nature of offence alleged to have been committed by him. The Rule 4(3) of the said Rules provides that it is only after considering the cause, if any, shown by the concerned person, the Adjudicating Officer is of the opinion that an inquiry should be held then only he/she shall issue a Notice fixing a date for the appearance of that person either personally or through his lawyer and/or Authorized Representative. In view of the above, since your reply to SCN to show cause why an inquiry should not be held against you, is awaited, the proceedings are yet to reach that stage. Thus, the request is not accepted.</i>
26	<i>Copy of the Whole time Member approval note in the present proceedings</i>	<i>The approval of WTM is not applicable in the present proceedings.</i>

S.No.	Request of Noticees	Comments of AO
27	<i>Copy of Annexure 7(2) "Format for handing over Fresh Cases" in the present proceedings</i>	<i>The request is vague, since it doesn't specify how the requested documents are relevant to the alleged non-compliances by the Noticees. The requested documents are part of internal procedure and not relevant or relied upon for the non-compliances alleged. Thus, the request of the Noticees is not accepted.</i>
28	<i>Copy of the documents received, communications made by SEBI with any person in respect of the present proceedings, not provided along with the SCN, if any</i>	<i>The request is vague and does not mention any specific document. Further, it is informed that all the relied upon and relevant documents in the matter have been shared with the Noticees.</i>
29	<i>Copy of all statements recorded by SEBI during the investigation</i>	<i>There are no statements which were recorded in the matter, as per the material available on record.</i>
30	<i>Any adverse material available on record or any documents with SEBI evidencing anything in relation to the allegations against the Noticee</i>	<i>The request is vague and does not mention any specific document. Further, it is informed that all the relied upon and relevant documents in the matter have been shared with the Noticees.</i>

167. Further, it was informed that vide aforesaid email, the request of the inspection has been dealt with since, all the relevant, relied upon documents available in records have been provided to the Noticees. Further, it was also informed that if Noticees still seek a personal hearing on the issue of inspection of documents and their copies, they may submit a request for the same. It is noted that the Noticees did not make any such request and appeared for the personal hearing before the undersigned.

168. In view of the above, I note that all relevant and relied-upon documents forming the basis of the allegations in the SCN have been provided during the adjudication process. The redactions applied to certain office notes were limited to immaterial details, such as the names of SEBI officials, which do not affect the substantive content or the Noticees' ability to prepare a defense. While the principles of natural justice necessitate full disclosure of materials relied upon, they do not extend to

documents that are irrelevant or unrelated to the allegations. Judicial precedents cited by the Noticees, including T. Takano and Sunita Agarwal, pertain to documents forming the basis of regulatory actions. In this case, I note that the documents withheld were not material to the allegations.

169. The contention that SEBI engaged in selective disclosure is not substantiated. The rationale for non-disclosure of specific documents, including internal communications and drafts, which are neither relevant nor relied upon, were adequately explained to the Noticees. Furthermore, erstwhile AO's willingness to address inspection issues through a personal hearing indicates procedural fairness. The Noticees' failure to seek a personal hearing on inspection-related issues, despite SEBI's invitation, weakens their claim of procedural prejudice.

170. In view of the above, the contention that SEBI's refusal to disclose additional documents violated the principles of natural justice is not upheld. The Noticees' defense has not been unduly prejudiced, as they had access to all relevant documents necessary for responding to the allegations.

171. Now since all the preliminary contentions have been dealt with, instance wise contentions on merit are dealt in following paragraphs.

Instance 1- Reference dated June 12, 2023:

172. I note that the Noticees are alleged to have made incorrect and biased disclosures concerning the confidential partial arbitration ruling of the Singapore International Arbitration Centre (SIAC) dated June 1, 2023, as inferred from an online media article published by *BW Businessworld* on June 3, 2023. The article allegedly disseminated incorrect and biased information regarding the confidential arbitration ruling, which was purportedly favorable to the Issuer i.e. Noticee 1. Consequently, the SCN alleges that Noticee 1 violated Regulation 42, read with Paragraphs 1, 4,

5, and 6 of Schedule IX of the SEBI ICDR Regulations, 2018. Noticees 2 and 3 are further alleged to have violated Section 27(1) of the SEBI Act, 1992, in addition to Regulation 42 and the aforementioned provisions of Schedule IX.

173. Regulation 42 of the SEBI ICDR Regulations mandates that all public communications, publicity materials, advertisements, and research reports comply with the provisions of Schedule IX. Paragraphs 1 and 5 of Schedule IX specify:

(1) “Any public communication, including advertisements, publicity material, and research reports (referred to as public communication) issued or made by the issuer or its associate company, or by the lead manager(s) or their associates or any other intermediary connected with the issue or their associates, shall contain only such information as contained in the draft offer document/offer document and shall comply with the following:...”

(5) “The issuer shall not, directly or indirectly, release, during any conference or at any other time, any material or information which is not contained in the offer document.”

174. Based on the above provisions, it is evident that Regulation 42 and Schedule IX apply to public communications issued or made by the issuer, its associates, intermediaries, or lead managers. Furthermore, the regulations prohibit issuers from directly or indirectly releasing any material or information not included in the offer document. Therefore, the first issue to evaluate is whether the media article dated June 3, 2023, constitutes a public communication issued directly or indirectly by the Noticees, their associates, intermediaries, or lead managers.

175. The Noticees have contended that they had no role in the publication of the article in question. They argue that SEBI has not provided evidence directly linking the Issuer or its associates to the creation or dissemination of the article. The Noticees further contend that the SCN fails to identify the source of the article or establish any nexus between the article and the Noticees.

176. Upon review, I note that the record does not indicate that SEBI conducted an investigation to determine whether the media article was directly or indirectly published by the Noticees, their associates, intermediaries, or lead managers. The media article, annexed as Annexure A of the reference dated June 12, 2023, does not attribute its information to any specific source. Furthermore, the reference at Paragraph 2(g) merely speculates that the article may have been influenced by the Ebix Group but does not provide conclusive evidence of such influence or publication by the Ebix Group in BW Businessworld. In the absence of an investigation, analysis, or documentary evidence establishing that the article was influenced or published by the Noticees, their associates, intermediaries, or lead managers, it is concluded that the article was independently published by a third party and does not constitute a public communication attributable to the Noticees.
177. Additionally, I note that Noticee 1 contacted the editors of BW Businessworld and Exchange4media vide letters dated June 15, 2023 to seek retraction of the article from their websites, citing confidentiality under SIAC Arbitration Rules. The articles were subsequently removed from the public domain, and Noticee 1 informed SEBI of this development.
178. In view of the above, I note that the SCN does not establish any direct or indirect involvement of the Noticees in the publication of the impugned media article. Consequently, the provisions of Regulation 42 and Schedule IX of the SEBI ICDR Regulations, 2018, are not applicable in this case. Therefore, it is concluded that **Noticee 1 did not violate Regulation 42 read with Paragraphs 1, 4, 5, and 6 of Schedule IX of the SEBI ICDR Regulations, 2018. In view of the same, Noticees 2 and 3 are not in violation of Section 27(1) of the SEBI Act, 1992, Regulation 42, or the aforementioned provisions of Schedule IX.**

Instance 2- Reference dated July 07, 2023, "Ebix Signs Debt Extension Amendment"

179. I note that the core allegation pertains to the omission of material information regarding the second objective of the issue in the addendum to the DRHP dated June 1, 2023, which was disclosed in the press release issued by Noticee 3 on May 24, 2023. This omission by the Noticee 1, is alleged to be violation of Regulation 42, read with Schedule IX, of the SEBI ICDR Regulations, 2018, along with other applicable provisions.
180. The Noticees have contended that all relevant disclosures, including the flow and intended use of funds, were already provided in the DRHP. They assert that the press release only reiterated information previously disclosed, particularly under Risk Factor 23, which mentions that the funds would ultimately flow to the promoter group, including Noticee 3. The Noticees argue that the press release did not contain any new material information warranting inclusion in the addendum and further contend that Regulation 42, read with Schedule IX, does not require reiteration of previously disclosed information in such addenda.
181. In this regard, upon review, I note that the DRHP indeed references the flow of funds to Ebix Inc. (Noticee 3), as noted under Risk Factor 23 on pages 47-48 of DRHP, which is reproduced below:

"...On March 2, 2022, Our Company has entered into securities transfer agreement with Ebix Asia Holdings Inc, Mauritius and the Relevant Subsidiaries, pursuant to which our Company will purchase a total of 21,213,991 compulsorily convertible debentures ("CCDs") from Ebix Asia Holdings Inc, Mauritius (which is a member of our Promoter Group and an indirect subsidiary of Ebix, Inc.) for a total purchase consideration aggregating to ₹ 24,212.24 million. As part of the objects of the Issue, our Company proposes to pay an amount of ₹ 27,475.67 million from the Net Proceeds, which includes interest of ₹ 3,263.42 million in outstanding

interest up to February 28, 2022, to one of the members of our Promoter Group, Ebix Asia Holdings Inc, Mauritius which may onward transfer to one of the members of our Promoter Group, Ebix International Holdings Limited, UK (i.e., holding company of Ebix Asia Holdings Inc) and our Promoter, Ebix, Inc. (holding company of Ebix International Holdings Limited, UK). For further details, see "Objects of the Issue" on page 106."

182. The relevant extract explicitly states the flow of proceeds to Ebix Asia Holdings Inc., a member of the promoter group, and outlines their onward transfer within the group. The details of this arrangement, including specific amounts and interest obligations, were disclosed in the "Objects of the Issue" section.

183. The relevant excerpts of the press release dated May 24, 2023 is reproduced below:

"Amendment No. 14 also specifically provides for the application of a certain percentage of the proceeds from certain liquidity events towards payment of outstanding principal and interest obligations at that time. These events would include the mandatory public listing of the shares of the Company's subsidiary EbixCash Limited on the Indian stock market by July 31, 2023, the proceeds from the issuance of any additional debt and/or securities if raised by the Company and the proceeds from the monetization of any asset sale, if carried out by the Company." (emphasis supplied)

184. However, I note that it was the press release issued by Noticee 3 on May 24, 2023, which introduced two information for the first time:

- a) the possibility that funds transferred to Noticee 3 could be used to meet Noticee 3's outstanding principal and interest obligations, and
- b) mandatory public listing of the shares of the Noticee 1 on the Indian Stock Market by July 31, 2023

185. The relevant portion of the press release highlights the application of IPO proceeds toward such payments, tying these proceeds to Amendment No. 14, which governs such liquidity events. Further there was timeline specified in Amendment No.14 that there would be mandatory public listing of the shares of the Noticee 1 on the Indian Stock Market by July 31, 2023.
186. Based on this press release, the SCN alleges that the information about fund utilization for repayment obligations was material development that was not explicitly disclosed in the DRHP. Consequently, it asserts that this information should have been included in the addendum dated June 1, 2023, which is of a later date than the press release, to ensure compliance with regulatory requirements.
187. I note that the Noticee 3 made press releases which specified information related to Noticee 1 and the proposed IPO of the Noticee 1, further being a promoter of Noticee 1, such communications played important role in public communication. Such communications, directly or indirectly, influence public perception of the securities being offered. Thus, the press release dated May 24, 2023, qualifies as "publicity material" or "advertisement" under Regulation 42 and Schedule IX. Accordingly, Noticee 1 was required to comply with these provisions concerning the press release.
188. I note that the Noticee 1 contends that the SEBI ICDR Regulations, 2018, do not specifically mandate disclosing the "ultimate utilization" of funds and argues that requiring such disclosures exceeds statutory provisions. The Noticees further assert that no investor interests were compromised, as the funds had not yet been received, and the information provided was sufficient for investors to make informed decisions. They had cited case law, including Shiv Shakti Coop. and Terrascope Ventures Ltd. v. SEBI, to argue that statutory provisions should not be expanded beyond their literal interpretation and that shareholder approvals can regularize changes in fund utilization.

189. In this regard I note that, while the ICDR Regulations do not explicitly mention disclosure of the "ultimate utilization" of funds, however regulation do mandate full and fair disclosures in regard to utilisation of funds to enable informed investor decision-making. In my opinion there is no difference between utilisation and the ultimate utilisation of fund, hence the SCN essentially refers to utilisation of funds only, when it refers to ultimate utilisation of funds.
190. I also note that transparency and investor protection are foundational principles of the regulatory framework. The press release introduced a direct link between the IPO proceeds and repayment obligations, effectively altering the context of fund utilization as initially disclosed in the DRHP.
191. Further the timeline specified in Amendment No. 14 for mandatory listing by July 31, 2023 was not part of any disclosures made in India. In fact at the time of issuing the press release in May 24, 2023, the DRHP was still in a draft stage and IPO dates were not yet announced. Further, since as per SEBI Circular No. SEBI/HO/CFD/TPD1/CIR/P/2023/140 dated August 09, 2023, the timeline for listing of the securities issued/allotted during IPO is within 3 working days of closure of public issue; the listing date could not be announced in May 2023. Thus, this information for mandatory listing of equity shares of Noticee 1 by July 31, 2023 on Indian Stock Exchanges was misleading and inaccurate. However, I note that the SCN has not explicitly detailed this as the omitted/misleading information, for framing the alleged violation in instance 2 and hence the same is not considered as an event for the alleged violation.
192. I note that Regulation 42 of the SEBI ICDR Regulations mandates that all public communications, publicity materials, advertisements, and research reports comply with the provisions of Schedule IX.

193. Further, I note that Para 1 of Schedule IX of SEBI ICDR Regulations *inter alia* emphasize that in all public communications or publicity materials, if it reproduces or purports to reproduce any information contained in the draft offer document or draft letter of offer or offer document, as the case may be, it shall reproduce such information in full and disclose all relevant facts not to be restricted to select extracts relating to that information. In this regard, I note that the Noticee's press release disclosed additional information about the utilization of proceeds, which was not a mere reproduction of the DRHP. As this information was critical for investor decision-making, it should have been included in the addendum to comply with Paragraph 1 of Schedule IX.
194. Further I note from the UDRHP (which has been withdrawn) that at page 122, the chart depicts that the Ebix Inc. (Noticee 3) would repay the debts from their lenders from the flow of funds from the EbixCash Limited (Noticee 1). Hence, it is noted that though the material information regarding utilisation of funds for repayment of debt of Noticee 3 have been included in the UDRHP, this material information was for the first time disclosed through the impugned Press Release, and was not disclosed in the DRHP or the addendum.
195. I note that Para 4 of Schedule IX mandates the prompt disclosure of material developments occurring between the filing of the offer document and allotment through the same newspapers as pre-issue advertisements. I note that Para 5 of Schedule IX prohibits disclosing any material information not included in the offer document. Since the utilization of proceeds was mentioned in the press release but omitted from the DRHP and its addendum, this constitutes a violation of Paragraph 4 and 5.
196. I note that Para 6 of Schedule IX requires issuers to obtain approval from lead managers for all issue advertisements and public communications and provide

copies to all lead managers. I note that the Noticee 1 did not seek such approval for the press release, thereby violating Paragraph 6 of Schedule IX.

197. Regarding the case law cited by the Noticees on post-facto approval of fund utilization, I note that such observations do not exempt issuers or intermediaries from timely disclosure of material developments, as required under the ICDR Regulations.
198. In view of the above, it is established that **the Noticee 1 violated, Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018.**
199. I note that the Noticees 2 and 3 have argued that Section 27 of the SEBI Act applies only to individuals responsible for the business conduct of a company and does not extend liability between separate corporate entities, such as promoters and issuers.
200. I note that Section 27 of the SEBI Act establishes vicarious liability for contraventions committed by a company. It provides that, where an offense is committed by a company, individuals such as directors, managers, or officers in charge of and responsible for the company's business conduct shall also be deemed guilty if they had knowledge or failed to take preventive measures. The provision explicitly mentions "person(s)" in charge of or responsible for the conduct of a company but does not include separate legal entities as liable by default.
201. In this regard, I note that the term 'Person' under the SEBI act is broad and includes both individuals and legal entities. Promoters while separate corporate entities, can be held liable under Section 27 if their actions demonstrate functional control or active participation in the contraventions committed by the issuer.

202. I note that as discussed above, Noticees 2 and 3 have been identified as "promoters" in the Draft Red Herring Prospectus (DRHP) of Noticee 1. The actions of a Noticee 3 i.e. the press releases, during the process of public issue, significantly influence the issuer's disclosures and decisions of the investors. In the present case, Noticee 2 is the 100% shareholder of Noticee 1 and controls Noticee 1, which is evident from the Internal Risk Factor no.4 in the UDRHP which states as,

"..... The collateral provided by Ebix, Inc. under the Credit Facility includes a pledge over its shares in Ebix Singapore. If the collateral is enforced, the lenders under the Credit Facility could take control of Ebix Singapore and in turn control over our Company, which would subject our business and prospects to significant uncertainty..."

203. Noticee 3, as a promoter of Noticee 1, has issued press releases that directly had connection with the Noticee 1's listing process. The press releases had material information, which were subsequently partially incorporated into Noticee 1's addendum, UDRHP and in the comments provided to SEBI. The above indicates that Noticees 3 active participation in the impugned public communications of Noticee 3 and the process of finalization of DRHP/Addendum/UDRHP of the Noticee 1.

204. The role of promoters, as envisaged under securities law, extends beyond merely holding shares or being named in offer documents. Promoters influence public perception, confidence and the integrity of the disclosures made in offer documents. In view of the factors like, proposed utilisation of IPO proceeds of Noticee 1 towards debt and repayment obligations of Noticee 3, Noticee 3's press releases pertaining to developments w.r.t. Noticee 1, Noticee 3 disclosing the timelines for mandatory public listing of Noticee 1, Noticee 3 falls within the ambit of "persons responsible" under Section 27 and aligns with the intent of Section 27 to hold responsible parties accountable.

205. For Noticee 2, I note that though Noticee 2 is 100% shareholder of Noticee 1 and controls Noticee 1, the role of Noticee 2 and its involvement in impugned press release and the DRHP/UDRHP/Addendum is not specified in the SCN and the documents on records. In view of the above, there is insufficient details available, to conclude if Noticee 2, fall within the ambit of "persons responsible" under Section 27, and hence cannot be held responsible for the violations of Noticee 1.
206. In view of the discussion above, I find that Noticee 3 is found to be in violation of Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018, read with Section 27(1) of SEBI Act, 1992

Instance 3- Reference dated July 07, 2023 "Ebix Provides a Strategic Update"

207. I note that the allegation is essentially, that the Noticee 3's press release dated July 6, 2023, allegedly provided incorrect disclosures about Hindenburg Report titled "Ebix: This House of 'Cards' Seems to Have a Glaring Fake Revenue Problem" like its numerical immateriality for prospective EbixCash Investor upon restated payment solutions revenue on net basis and banning of report by Indian Session court. It also allegedly misrepresented the details of court proceedings in connection with the report. Further, the promoter, Noticee 3, did not obtain approval from Book Running Lead Managers (BRLMs) and legal counsels before issuing the press release. In view of the above, the it was alleged in the SCN that the Noticee 1 was in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018.
208. I note that the Noticee has contended that Noticee 1 claims the July 6, 2023, press release by Noticee 3 aligns with the Addendum dated June 1, 2023, and sufficiently discloses revenue adjustments per regulatory requirements. Noticee argues that

the Hindenburg Report's claims were promptly addressed through public clarifications and legal actions, obtaining a temporary injunction against its publication, the court recognized the Hindenburg Report as defamatory, taking proactive legal measures to protect its reputation. The UDRHP included litigation details against Hindenburg Research, ensuring transparency about ongoing proceedings. Further, the press release was filed under the US SEC jurisdiction via Form 8-K and is not governed by SEBI's publicity regulations. Noticees also contended that referencing speculative, unverified reports like the Hindenburg Report in offer documents would be inappropriate. The disclosures in the Addendum and press release were allegedly compliant with the ICDR Regulations.

209. I note that the issue to consider is whether the press release dated July 6, 2023, issued by Noticee 3 contained incorrect and misleading disclosures regarding the Hindenburg Report and related financial restatements. I note that the Noticees have argued that the press release aligns with the Addendum dated June 1, 2023, and provides adequate disclosure of revenue adjustments as per regulatory norms. However, an analysis of the Addendum, specifically Notes 67 and 71, reveals a significant reclassification of revenues related to Prepaid Instruments (PPI) from a gross to a net basis. As per the table provided below, the extent of revenue (Rs. crores) restatement is as follows:

Particulars	Reported	Restated	Change	Approx. % change in revenue post restatement
Revenue from operations for year ended March 31, 2023	6655.2	2371.9	4283.3	64.35
Revenue from operations for year ended March 31, 2022	6139.1	1622.9	4516.1	73.56
Revenue from operations for year ended March 31, 2021	4172.8	1043.6	3129.1	75.00

210. The claim in the press release that the restatement of revenues was "numerically immaterial" is clearly contradicted by the above data. The change of over 64% in revenue figures undermines the assertion of numerical immateriality and raises

significant questions about the transparency of the disclosures made by the Noticee.

211. Furthermore, while the Noticees contended that the press release addressed the claims of the Hindenburg Report and provided sufficient clarity, the disclosures failed to explicitly acknowledge the scale and materiality of the financial restatement. This omission is critical in the context of investor decision-making, particularly for prospective investors in EbixCash. The downplaying of substantial financial adjustments through misleading language in the press release constitutes a serious lapse in adherence to the disclosure standards under SEBI (ICDR) Regulations.
212. In regard to whether the press release misrepresented court proceedings and failed to comply with approval requirements, I note that Noticees argued that they took proactive legal steps against the Hindenburg Report, obtaining an interim injunction against its publication. However, I note that the interim order of the Sessions Court dated July 5, 2022, explicitly clarified that the injunction was provisional and not an opinion on the merits of the case. The press release by Noticee 3 misrepresented this judicial order as a definitive ruling against the Hindenburg Report, which is factually incorrect. Such misrepresentation creates a misleading narrative that could influence investor perception, violating the principles of fair and truthful disclosures. I also note that Noticee 1 has provided further details of the Court order in its internal risk factor no. 13 at page no. 46-47 of the UDRHP, wherein it's detailed that the injunction was provisional and not an opinion on the merits of the case. However, it is noted that the same is post facto, and the press release dated July 6, 2023, issued by Noticee 3 still stands incorrect since it contained misleading disclosures.
213. Additionally, the Noticee 1 failed to obtain mandatory approval from BRLMs and legal counsels before issuing the press release. I note that the, press release, even

if filed under Form 8-K with the US SEC with claimed publicity restrictions, pertains to EbixCash, a company seeking to raise funds in India via an Initial Public Offering (IPO) regulated under SEBI's jurisdiction. The Indian capital market rules, specifically SEBI (ICDR) Regulations, require all disclosures related to an IPO to adhere to specific standards of transparency, accuracy, and approvals.

214. The fact that the press release was also submitted under a US framework with its restrictions does not exempt the Noticees from complying with SEBI regulations when the communication directly affects potential Indian investors. Regulatory requirements cannot be avoided by claiming jurisdictional overlap. The disclosures were materially significant for the Indian IPO and, as such, were subject to SEBI's regulatory framework. By failing to obtain the required approvals, the Noticees demonstrated a disregard for the regulatory process, thereby breaching the provisions of the SEBI (ICDR) Regulations, 2018.
215. The Noticees' claims that the press release contained adequate and compliant disclosures are not substantiated by the facts. The press release downplayed the material impact of revenue restatements and misrepresented ongoing court proceedings. The failure to obtain approvals from BRLMs before issuing the press release further compounds the violations. The press release dated July 6, 2023, issued by Noticee 3 violated the provisions of Regulation 42 read with Paras 1, 4, 5, and 6 of Schedule IX of SEBI ICDR Regulations, 2018. Therefore, **Noticee 1 is found to be in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018.**
216. Further, in view of the discussion given above, and discussion above for instance 2 regarding applicability of Section 27 of SEBI Act on Noticee 2 and 3, I note that given the role of Noticee 3 in the instance 3 and **Noticee 3 is found to be in violation of Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018, read with Section 27(1) of SEBI Act, 1992.**

217. Further, for Noticee 2, I note that the role of Noticee 2 and its involvement in impugned press release and the DRHP/UDRHP/Addendum is not specified in the SCN and the documents on records. In view of the above, there is insufficient details available, to conclude if Noticee 2, fall within the ambit of "persons responsible" under Section 27, and hence cannot be held responsible for the violations of Noticee 1.

RBI's "Letter of Displeasure" dated March 21, 2023

218. I note that the allegation is essentially, that the Noticee 3 failed to adequately disclose the impact of RBI's "letter of displeasure" dated March 21, 2023, in its press release dated July 6, 2023. The letter directed the issuer to amend co-branding agreements with PPI Issuers and restate revenue recognition on a net basis. The revenue restatements indicated substantial changes (64.35% to 75% reduction) for FY 2021–2023. Additionally, the promoter, Noticee 3, issued the press release without prior approval from BRLMs. In view of the above, the it was alleged in the SCN that the Noticee 1 was in violation of provisions of Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, 2018; and Noticee 2 and 3 were in violation of Section 27(1) of SEBI Act, 1992, Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018.

219. Noticee 1 contends the Addendum dated June 1, 2023, fully disclosed the impact of the RBI letter, detailing changes in co-branding arrangements and revenue reclassification from gross to net. The reclassification was assessed to have no material impact on the financial statements, as reflected in the Addendum. The disclosure of the RBI letter occurred as part of the Addendum because the DRHP was filed before the letter's issuance. The Noticee contends that SEBI's SCN lacks specificity, violating procedural fairness as established by the Supreme Court in *Gorkha Security Services v. Govt. of NCT of Delhi*. Noticee 1 asserts compliance

with Paragraph 1(c) of Schedule IX of ICDR Regulations, supported by detailed revenue reclassification tables in the UDRHP.

220. The press release dated July 6, 2023, issued by Noticee 3, claimed that the addendum dated June 1, 2023, was filed "in line with regulatory guidance from Indian regulators, stating its payment solutions revenues on a net basis." However, I note that the disclosure omitted critical details about the circumstances leading to the addendum, specifically the "letter of displeasure" from RBI dated March 21, 2023. This letter required the issuer company to amend its co-branding arrangements, resulting in significant changes in revenue recognition.

221. Noticee 1 has contended that the issuance of the RBI letter and its implications were fully disclosed in the addendum dated June 1, 2023. It claimed compliance with SEBI's ICDR Regulations and maintained that there was no material impact on financial statements. In this regard, I note that the reclassification of revenues from a gross to net basis resulted in significant changes, as highlighted in the table derived from Note 67 and Note 71 of the addendum:

- a) For FY 2023, revenue reduced from ₹6655.2 crore to ₹2371.9 crore (a 64.35% decline).
- b) Similar patterns of reduction were observed for FY 2022 and FY 2021 (73.56% and 75% decline, respectively).

222. Despite such a material impact on reported revenues, the press release failed to adequately disclose these changes or their significance, which is a key requirement under Regulation 42 read with Schedule IX of the SEBI ICDR Regulations.

223. The press release did not mention the RBI's "letter of displeasure," which triggered the reclassification and required the issuer to amend its business arrangements. This omission deprives investors of critical context and insight into the underlying regulatory concerns that impacted the company's financial reporting. The statement that the addendum was filed "in line with regulatory guidance" gives the

impression of routine compliance, downplaying the significant regulatory intervention by RBI. Such framing could mislead potential investors about the company's financial health and the regulatory issues faced.

224. While the addendum included detailed revenue restatements, the press release neither highlighted these details nor advised investors to carefully review the addendum. This falls short of SEBI's disclosure standards, which require material information to be presented in a manner that is clear and accurate.

225. The press release was issued by Noticee 3 without obtaining approvals from the LMs, as confirmed by the BRLM's letter dated July 20, 2023. Regulation 42 of SEBI ICDR Regulations mandates that all publicity materials, including press releases, be pre-cleared by the BRLMs to ensure compliance with disclosure standards. The omission to seek approval is a direct violation of these requirements.

226. The press release contained statements downplaying the material impact of the revenue restatement. Without approval, there was no mechanism to ensure that these statements were compliant with SEBI regulations and did not mislead investors. The failure to involve BRLMs and legal counsels in reviewing the press release indicates a lack of transparency and accountability in the disclosure process, undermining investor confidence.

227. Further, in view of the discussion given above, and discussion above regarding applicability of Section 27 of SEBI Act on Noticee 2 and 3, I note that given the role of Noticee 3 in the instance 3, Noticee 3 failed to adequately disclose the issuance of the RBI "letter of displeasure" dated March 21, 2023, and its material impact on the business and revenue of the issuer company in the press release dated July 6, 2023. Further, Noticee 1 did not comply with approval requirements for the press release.

228. **In view of the above, I find that Noticee 1 is in violation of Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018, and Noticee**

3 is in violation of Regulations 42, and Para 1, 4, 5 and 6 of Schedule IX of ICDR Regulations, 2018, read with Section 27(1) of SEBI Act, 1992.

229. Further, for Noticee 2, I note that the role of Noticee 2 and its involvement in impugned press release and the DRHP/UDRHP/Addendum is not specified in the SCN and the documents on records. In view of the above, there is insufficient details available, to conclude if Noticee 2, fall within the ambit of "persons responsible" under Section 27, and hence cannot be held responsible for the violations of Noticee 1.

Issue II. Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act?

230. In the light of findings and observations made against the Noticees brought out in the foregoing paragraphs, it is evident that the Noticees have violated the following regulatory provisions:

- a) **Noticee 1:** Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations
- b) **Noticee 3:** Regulation 42 read with Paras 1, 4, 5 and 6 of Schedule IX of SEBI ICDR Regulations, read with Section 27(1) of SEBI Act, 1992

231. The aforesaid violations, makes the aforesaid Noticees liable for penalty under Section 15 HB of the SEBI Act.

232. In this context, I would also like to refer to the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund⁶ wherein Hon'ble Supreme Court of India held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation*

which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.”

233. The text of the above referred Section 15HB of SEBI Act is reproduced herein below:

Relevant provisions of SEBI Act:

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.*

Issue III. If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15-J of the SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules?

234. While determining the quantum of penalty, it is important to consider the factors stipulated in Section 15-J of the SEBI Act, which reads as under: -

SEBI Act

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.]

235. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of non-compliance to the provisions is not available. Further, from the material available on record, it is noted that the URHP has been withdrawn, hence there was raising of money from the public and listing of securities. With respect to the repetitive nature of the default, I do not find anything on the records.

236. The roles of the Noticees in the established violations indicate the lack of promptness and disregard for compliance of Regulations by the Noticees. The violations are unacceptable given the role of public communications during the listing process, therefore, the actions of Noticees should be dealt appropriately by imposing monetary penalty as effective deterrence.

ORDER

237. Considering all the facts and circumstances of the case including the submissions of the Noticees and exercising the powers conferred upon me under section 15-I of SEBI Act read with Rule 5 of the SEBI Adjudication Rules, I hereby impose the following monetary penalty under section 15HB of the SEBI Act on the Noticee:

Sr. No.	Name of the Noticee	Penalty Provisions	Amount of penalty (in ₹)
1	EbixCash Limited	Section 15HB of SEBI Act	₹ 6,00,000/- (Rupees Six Lakhs Only) Jointly and Severally
2	Ebix, Inc.		

In my view, the said penalty is commensurate with the violations committed by the Noticees in this case.

238. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

239. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.
240. In terms of Rule 6 of the SEBI Adjudication Rules, 1995, copy of this order is sent to the Noticees and also to the SEBI.

Place: Mumbai

Date: December 19, 2024

ASHA SHETTY

ADJUDICATING OFFICER