

## SECURITIES AND EXCHANGE BOARD OF INDIA

## FINAL ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1), and 11B(2) READ WITH SECTION 15A(a), 15HA AND 15HB OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND SECTION 23H OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

In respect of:

Noticee No.	Noticee name	PAN
1.	Mr. Kapil Wadhawan	AAOPW6145L
2.	Mr. Dheeraj Wadhawan	AAOPW4517G
3.	Mr. Rakesh Wadhawan	AAEPW7656G
4.	Mr. Sarang Wadhawan	AAAPW2530R
5.	Mr. Harshil Mehta	AAGPM7486E
6.	Mr. Santosh Sharma	AALPS6811L

*(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee nos. and collectively as "Noticees")*

**In the matter of Dewan Housing Finance Corporation Limited**

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## A. BACKGROUND

1. Dewan Housing Finance Corporation Limited (“**DHFL**”/ “**Company**”), a housing finance company was carrying on the business, *inter alia*, of providing loans to retail customers for construction or purchase of residential property, and loans against property. On November 20, 2019, the Reserve Bank of India (“**RBI**”) *vide* its order no. DOR NBFC(PD) 986/03.10.136/2019-20 issued under section 45IE(1) of the Reserve Bank of India Act, 1934 (“**RBI Act**”) superseded the board of directors of DHFL. Thereafter, on November 29, 2019, RBI filed an application to initiate the corporate insolvency resolution process (“**CIRP**”) with respect to DHFL under section 227 of the Insolvency and Bankruptcy Code, 2016 (“**IBC**”). Grant Thornton India LLP (“**Transaction Auditor**”/ “**GT**”) was appointed by the Resolution Professional (“**RP**”) to assist him in conducting a transaction audit of the Company.
2. On September 02, 2020, *vide* disclosure made to stock exchanges, it was informed by DHFL that the Administrator (who was also the RP) had received an initial report (“**Initial Report**”) from the Transaction Auditor indicating that certain transactions entered into by DHFL during the period FY 2006-07 to FY 2018-19 were fraudulent in nature, as per section 66 of the IBC.
3. SEBI passed an Interim Order under section 11(1), 11(4) and 11B of the SEBI Act, 1992 (“**SEBI Act**”) and regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations**”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) in the matter of DHFL on September 22, 2020 (hereinafter referred to as “**Interim Order**”) wherein:
  - a. The Promoters of DHFL during the period from April 01, 2006 to March 31, 2019 namely (i) Mr. Kapil Wadhawan, (ii) Mr. Dheeraj Wadhawan, (iii) Mr. Rakesh Kumar Wadhawan, (iv) Mr. Sarang Wadhawan, (v) Ms Aruna Wadhawan, (vi) Ms Malti Wadhawan, (vii) Ms Anu S Wadhawan, (viii) Ms Pooja D Wadhawan, (ix) Wadhawan Holding Pvt Ltd, (x) Wadhawan Consolidated Holding Pvt Ltd, (xi) Wadhawan Retail Venture Pvt Ltd and (xii) Wadhawan Global Capital Ltd (formerly

known as Wadhawan Housing Pvt Ltd) were restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever; and

- b. Restrained from associating themselves with any listed or to be listed company or any intermediary registered with SEBI till further directions.
4. *Vide* email dated December 31, 2020, the DHFL Administrator (who was also the RP) forwarded a copy of the Final Transaction Audit Report (“**TAR**”) with respect to the “Bandra Book Entities” (*defined later in this Order*) of DHFL to SEBI.
5. Pending detailed investigation, a confirmatory order in the matter was passed on October 22, 2021, wherein the directions passed in the Interim Order against all the 12 entities covered in the Interim Order, were confirmed (“**Confirmatory Order**”).
6. SEBI conducted an investigation into the allegations referred to in the Interim Order as regards the diversion/ siphoning of funds by DHFL and its effect on the financials of the Company, role of its Promoters/ directors and into other alleged violations of PFUTP Regulations, LODR Regulations and SEBI Act. In accordance with IBC, the Transaction Auditor was appointed to carry out the transaction audit for a period of two years preceding December 03, 2019, which is the date of commencement of insolvency proceedings. In view of this, the period of investigation has been taken as the two years preceding December 03, 2019, *i.e.*, from December 03, 2017 to December 03, 2019 (“**Investigation Period**”). Wherever needed, reference has been made to transactions outside the Investigation Period. However, as per the TAR, since the transactions pertaining to Bandra Book Entities (*defined in succeeding paragraphs*) were observed from FY 2006-07 onwards, the transactions pertaining to transfers to Bandra Book Entities were examined from FY 2006-07 onwards with the focus limited to diversion / siphoning of funds and their presentation in financial statements.
7. After completion of investigation, it was found that the investigation could not conclusively establish the role of Mrs. Aruna Wadhawan, Ms. Malti Wadhawan, Ms. Anu Wadhawan, Mrs. Pooja Wadhawan, Wadhawan Holding Private Limited, Wadhawan

Consolidated Holdings Pvt. Ltd., Wadhawan Retail Venture Pvt Ltd and Wadhawan Global Capital Ltd (formerly known as Wadhawan Housing Pvt Ltd) (eight promoter entities). In view of the above, the restraint imposed on the aforesaid entities *vide* the Interim Order and the Confirmatory Order were vacated through passing of the revocation order dated March 10, 2023.

## **B. SHOW CAUSE NOTICE, REPLIES, HEARING AND CROSS-EXAMINATION**

8. The findings of the investigation conducted by SEBI led to issuance of a common show cause notice dated June 20, 2023 (“**SCN**”) to the Noticees, to show cause as to why appropriate directions under sections 11(4), 11(4A), 11B(1) and 11B(2) read with section 11(1) of the SEBI Act including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever, should not be issued against them and why monetary penalty under section 15HA and 15HB of the SEBI Act and section 23H of Securities Contracts (Regulation) Act, 1956 should not be imposed on them.
9. The summary of the SCN is as follows:
  - 9.1 Misrepresentation of financial statements of DHFL pertaining to the funds siphoned off from DHFL through loan to Promoter related entities
    - (a) It is alleged that DHFL was using three different software applications for maintaining records pertaining to a particular branch “Bandra”, during the period FY 2006-07 to FY 2018-19, namely, FoxPro, Synergy and Tally. The examination of the FoxPro ledgers available on record for FY 2009-10 to FY 2018-19 and the loan dump of the Bandra Book Entities (“**BBEs**”) from FoxPro submitted by DHFL shows that the amounts disbursed to 87 unique BBEs are shown as small fictitious home loan accounts and actual repayment made by the BBEs was distributed into numerous fictitious loan accounts of smaller

amounts. The above camouflaging of actual disbursements and collections by creating fictitious loan accounts was done by using codes created within the FoxPro system.

- (b) During the FY 2006-07 to FY 2018-19, DHFL had disbursed INR 11,548.95 crores to 87 unique BBEs which were accounted for in this particular branch (The loan / disbursement pertaining to BBEs, recorded by DHFL in the books of accounts for the FY 2007-08 to FY 2018-19 was INR 21,995.07 crores against the total actual disbursement to BBEs of INR 11,309.12 crores in the aforesaid period)<sup>1</sup>.
- (c) During the same period (from FY 2006-07 to FY 2018-19), INR 8,610.45 crores were collected from these aforementioned BBEs. 90% of the disbursals (INR 10,394.20 crores) to the BBEs were made prior to FY 2015-16 and there is no disbursal post FY 2016-17. However, maximum collection (INR 6,973.77 crores) from these entities happened between FY 2015-16 to FY 2018-19. Amount of INR 21,995.07 crores was recorded as 2,24,491 small ticket size home loans of average ticket size of INR 0.10 crores during FY 2007-08 to FY 2018-19. These loans were on an average around 24.8% of the “Total Loans” disclosed over the years. Loans given to the 87 BBEs were not shown as part of the “Other Property Loans” and were misrepresented as “Housing Loans” year-on-year. Outstanding balance as on March 31, 2019, in retail portfolio pertaining to BBEs was INR 14,040.50 crores.
- (d) Union Bank of India (“**UBI**”) account no. 3156xxxxxxx4098 of DHFL, has been used for the disbursals and collections from BBEs. Noticee 1 and Noticee 2 were

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<sup>1</sup> The total amount disbursed to the 87 Bandra Book Entities during the period FY 2006-07 to FY 2018-19 is INR Rs. 11,548.95 crores. Copies of the adjustment JV Entry passed in Synergy (Live) was received from the Company only for the period FY 2007-08 to FY 2018-19 and no copy was available for FY 2006-07. Hence, the calculation of total disbursement recorded could be identified only for the period FY 2007-08 to FY 2018-19 as INR 21,995.07 crores wherein the actual disbursement is INR 11,309.12 crores. For FY 2006-07 actual disbursement, the fictitious loans amount booked using FoxPro code could not be identified except for the actual disbursement made during that year.

authorized to operate the aforementioned UBI bank account for executing any transactions “without any limit”, singly or jointly.

- (e) The standard underwriting procedures for loan sanctioning and disbursement were not performed for these BBEs disbursement.
- (f) All 87 BBEs were connected/related to each other as well as the Promoter/Promoter group of DHFL. Further, Noticee 1 and Noticee 2 exercised significant influence over the operations of the BBEs and exercised control over the composition of the directors of these companies, during the period FY 2006-07 to FY 2018-19.
- (g) 39 of these 54 BBEs to which INR 5,662.44 crores have actually been disbursed by DHFL, have further invested around INR 2,254.63 crores i.e., 40% of the amount received from DHFL, in total 48 companies that are either part of BBEs or a company connected to the Promoters of DHFL.
- (h) BBEs loan balances amounting to INR 11,026.78 crores were transferred by DHFL to five borrowers of the wholesale loan book of DHFL.
- (i) If the Company had presented the real picture of its financial statements excluding the interest income from the loans given to the BBEs, the Company would have been reported losses as early as FY 2007-08.

## 9.2 Violation of related party transaction related regulations

- (a) Since in all these 87 BBEs during the period FY 2006-07 to FY 2018-19, Noticee 1 and Noticee 2, exercised significant influence and had the ability to control the composition of the board of directors as well as financial and/ or operating decisions, these 87 BBEs were related parties of DHFL in terms of AS 18, Companies Act 2013, Listing Agreement Clause 49, LODR Regulations and Ind AS 24.

- (b) None of the 87 BBEs were disclosed as related parties by DHFL from FY 2006-07 to FY 2018-19.

### 9.3 Role of Noticees

- (a) The investigation revealed that Noticee 1 (Mr. Kapil Wadhawan) along with Noticee 2 (Mr. Dheeraj Wadhawan), perpetrated the scheme / device / artifice to deceive and defraud the investors/ shareholders dealing in the shares/ debentures of DHFL by siphoning off funds from DHFL to 87 BBEs connected to Promoters of DHFL during the FY 2006-07 to FY 2018-19 and misrepresenting the same as “home loans” in financial statements of DHFL. Noticee 3 (Mr. Rakesh Kumar Wadhawan) and Noticee 4 (Mr. Sarang Wadhawan) being directors in DHFL during the period April 01, 2006 to July 28, 2009, signatory of financial statements during the aforesaid period and also beneficiary of some funds siphoned off from DHFL, failed to discharge their duty in ensuring that the published financial statements were in accordance with the applicable and notified accounting standards and that the financial statements presented a true and fair view of the company’s affairs. Noticee 5 (Mr. Harshil Mehta) and Noticee 6 (Mr. Santosh Sharma), aided and abetted Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan, in manipulation of financial results/statements of DHFL.

10. The SCN was duly served on all the Noticees. The Noticees undertook inspection of documents and filed their replies to the SCN. The important dates are mentioned below:

**Table 1: Details of inspection, replies and hearing**

Noticee No.	Noticee name	Date(s) of inspection	Date(s) of filing replies	Date(s) of hearing
1.	Mr. Kapil Wadhawan <sup>2</sup>	February 05, 2024 and February 13, 2024 <sup>3</sup>	- <sup>4</sup>	July 29, 2024 <sup>5</sup>
2.	Mr. Dheeraj Wadhawan <sup>6</sup>	June 04, 2024 and June 24, 2024 <sup>7</sup>	-	July 30, 2024 <sup>8</sup>
3.	Mr. Rakesh Wadhawan	Not requested	September 12, 2023 and March 28, 2024	March 14, 2024
4.	Mr. Sarang Wadhawan	Not requested	September 12, 2023 and March 28, 2024	March 14, 2024

<sup>2</sup> SCN was delivered to Noticee 1 on July 08, 2023.

<sup>3</sup> *Vide* email dated July 27, 2023, Ms. Saachi Purohit submitted an authority letter signed by Noticee 1. Inspection was scheduled on August 31, 2023, however, no one appeared on the said date. On December 01, 2023, Mr. Prajyot Sawardekar submitted an authority letter signed by Noticee 1. Inspection request was received from Mr. Prajyot Sawardekar on January 05, 2024.

<sup>4</sup> After the cross-examination was concluded on December 05, 2024, the AR of Noticee 1 was advised to submit his replies (if any) within 2 weeks thereof. *Vide* email dated December 20, 2024, the AR of Noticee 1 requested for an extension of 4 weeks. *Vide* email on January 10, 2025, the AR sought further time of 2 weeks to submit a reply. *Vide* email dated January 28, 2025, the AR informed that Noticee 1 was in the process of finalizing the reply, on January 23, 2025, he was made aware that CBI had closed the case in relation to DHFL and its directors including Noticee 1, which is also the subject matter of investigation before SEBI. According to the media reports referred by the AR, CBI appears to have filed an application for closure in relation to the BBE case before the Hon'ble Rouse Avenue Court, Delhi. The AR submitted that Noticee 1 is in the process of gathering more details of the closure report, which is likely to be listed in 1<sup>st</sup> week of February before the Hon'ble Rouse Avenue Court. SEBI ought to consider this further development and till then not to take any further steps in the matter. No reply has subsequently been filed by Noticee 1 / his AR.

<sup>5</sup> It may be noted that previously three hearing opportunities were granted to Noticee 1 which were not availed by him (March 14, 2024, April 16, 2024 and June 25, 2024). On July 29, 2024, the AR of Noticee 1 undertook to file submissions on merits and make oral arguments within the next 15 days.

<sup>6</sup> SCN was delivered to Noticee 2 on July 08, 2023.

<sup>7</sup> Previously, a letter dated October 31, 2023, was received from Mr. Vatsal Thakkar inter alia stating that he will submit an authority letter once it is signed by Noticee 2. Thereafter, attempts were made to serve hearing notices on Noticee 2 in March, 2024 and April, 2024 in Taloja jail and in terms of circular dated July 29, 2022. The hearing notice was eventually served through affixture. On May 14, 2024, vide email, Mr. Vatsal Thakkar provided an authority letter signed by Noticee 2 dated May 13, 2024.

<sup>8</sup> It may be noted that previously two hearing opportunities were granted to Noticee 2 which were not availed by him (May 16, 2024 and June 25, 2024). On July 30, 2024, the AR of Noticee 2 undertook to file submissions on merits and make oral arguments within the next 15 days.

Noticee No.	Noticee name	Date(s) of inspection	Date(s) of filing replies	Date(s) of hearing
5.	Mr. Harshil Mehta	July 28, 2023 and August 21, 2023	January 02, 2024, May 08, 2024, November 12, 2024 and February 11, 2025	April 16, 2024 and February 05, 2025 <sup>9</sup>
6.	Mr. Santosh Sharma	July 28, 2023	January 05, 2024, March 04, 2024 and November 20, 2024	April 16, 2024 <sup>10</sup>

11. The summary of the replies of the Noticees is as follows:

11.1 Reply of Mr. Rakesh Wadhawan (Noticee 3) and Mr. Sarang Wadhawan (Noticee 4) submitted *vide* letter dated September 13, 2023 and email dated March 28, 2024 is summarized below as follows:

- (i) The SCN is dated June 20, 2023, there is an inordinate and inexplicable delay of more than 13 years in issuance of the same as far as Noticees 3 and 4 are concerned. Hon'ble SAT in several cases has held that long delays in issuing SCNs is fatal to the proceedings and on this ground alone, it has quashed and set aside the SCN.
- (ii) Noticees 3 and 4 were not in any key managerial or decision making position or related to the day-to-day affairs of DHFL. Provisions of Companies Act, 2013 make it clear that it is only the managing director who has substantial power of management of the company. Even if SCN is taken at its face value, Noticees 3 and 4 are at best Non-Executive Directors of DHFL, and therefore, do not fall within

<sup>9</sup> In his reply dated November 12, 2024, Noticee 5 had requested for an additional hearing opportunity. He was granted a hearing opportunity on December 20, 2024. *Vide* email dated December 18, 2024, the AR of Noticee 5 requested for adjournment and for the hearing to be rescheduled to a date after January 22, 2025. He was granted another opportunity on January 14, 2025. Noticee 5 / his ARs again requested for an adjournment. Accordingly, the hearing was adjourned to January 28, 2025. *Vide* email dated January 27, 2025, Noticee 5 / his ARs again sought adjournment. A final hearing opportunity was provided to Noticee 5 / his ARs on February 05, 2025.

<sup>10</sup> *Vide* email dated January 15, 2025, Noticee 6 asked if the quasi-judicial authority had any questions and when the personal hearing would be held with respect to the reply dated November 19, 2024 (received by SEBI on November 20, 2024). He was informed that his request was placed before the Competent Authority and that his submissions dated January 05, 2024, March 04, 2024 and November 19, 2024 as well as oral submissions made during the hearing held on April 16, 2024 have been taken note of.

the ambit of managerial persons, and therefore, cannot be said to be involved in the day-to-day management of the company. It is settled position of law that role of Non-Executive Director is supervisory in nature, reliance is placed on:

- (a) Chaitan M. Maniar vs. State of Maharashtra 2004 (2) Mh.L.J. 1035;
- (b) Pooja Ravinder Devidasani vs. State of Maharashtra & Anr. (2014) 16 Supreme Court Cases 1

- (iii) Noticees 3 and 4 have absolutely no knowledge about the alleged transactions with BBEs and they were not related to the softwares used for accounting and maintaining records of BBE.
- (iv) Noticees 3 and 4 were promoters for a very short time (from April 2006 to July 2009). Being a promoter does not mean that Noticees 3 and 4 have knowledge of the said transactions.
- (v) Noticees 1 and 2 were the only people who took crucial decisions in DHFL.
- (vi) After 2009, due to family arrangements where business was segregated, Noticees 3 and 4 were not related with the affairs of DHFL.
- (vii) Merely attending few board meetings does not mean that Noticees 3 and 4 were party to the misrepresentations observed in the financial statements of DHFL.
- (viii) Even if Noticees 3 and 4 have attended the board meeting during their short tenure, and signed financial statements, that does not *ipso facto* mean that the signatories have verified each and every entry in the financial statement. Reliance is also placed on decision of Hon'ble SAT in Neha Nilesh Patil vs. SEBI (Appeal no. 688 of 2021), wherein it held that merely because the appellant is a signatory to the annual report does not mean that the misstatements contained therein have been approved by the appellant. The appellant is only a signatory in the annual report as per the provisions of the Companies Act. The violation under 33(2)(a) of the LODR Regulations is with regard to the approval and authentication of the financial results

and that approval and authentication in the first instance is required to be done by the CEO and CFO. The appellant being a non-executive professional director under any circumstances cannot be held to have violated regulation 33(2)(a) of LODR Regulations.

- (ix) The investigating authority has not furnished any documentary evidence in support of the allegation that Noticees 3 and 4 were directors of 3 BBEs post resignation from DHFL. If certain amounts were transferred to 3 BBEs where Noticees 3 and 4 were directors, that does not make them liable for “Allegation of misrepresentation of financial statements of DHFL pertaining to the funds siphoned off from DHFL through loan to promoter related entities” and “Allegation of violation of related party transaction related regulations” since the same are attributable to DHFL.

11.2 Reply of Mr. Harshil Mehta (Noticee 5) submitted *vide* letter dated January 02, 2024, email dated May 08, 2024, letter dated November 12, 2024 and email dated February 11, 2025 is summarized below:

**11.2.1 Incomplete email dump has been provided to Noticee 5 after substantial delay**

- (i) Noticee 5 has been unjustly placed in a position where he is compelled to prove his innocence based on his own emails/ evidence.
- (ii) Failure to provide to Noticee 5 with the entire email dump is a grave violation of his right to fair trial and due process. The selective/ limited sharing of crucial evidence has clearly denied Noticee 5 the opportunity to fully contest the allegations made against him.
- (iii) Pursuant to issuance of SCN, Noticee 5 has time and again sought certain information from SEBI (along with request for email dump by way of email dated July 24, 2023 and during inspection), however, SEBI did not furnish the same. Vide letter dated December 08, 2023, SEBI conveyed that the

email dump could not be shared as it contains sensitive information pertaining to third parties and unrelated transactions.

- (iv) SEBI provided the email dump 5 months after the conclusion of hearing on September 13, 2024, which is incomplete as it only pertains to Noticee 5. This amounts to re-opening of case.

#### **11.2.2 Non-joinder of previous CEOs of DHFL amounts to violation of principles of natural justice**

- (i) Predecessors of Noticee 5 who were CEOs of DHFL at the relevant time when the alleged Bandra portfolio was created and maintained have not been made parties to the proceedings. If Noticee 5 is culpable for being CEO at the relevant time, the other CEOs are also equally culpable. This amounts to non-joinder of necessary parties. If SEBI had obtained their statements or included them as parties to the proceedings, Noticee 5 would have had the opportunity to examine them and understand what they meant by the “Bandra portfolio” and why the said CEOs were excluded.

#### **11.2.3 Noticee 5 had no role in preparation or approval of financial statements and he was unaware regarding existence of BBE**

- (i) The overall financial statements of DHFL were prepared under the direct supervision and instructions of the then CMD and Noticee 5 had no direct supervision over the same. Finance and accounts department including CFO were not reporting to the Noticee 5 but directly to the CMD.
- (ii) Retail loans were logged, processed, decided, and booked through a software called "the Synergy System" which has a Loan Origination System (“**LOS**”) and Loan Management System (“**LMS**”). 'Synergy' functioned as full-fledged LOS with functionalities like customer details,

loan details, property details, credit underwriting details along with functionalities to generate reports on collections and so forth. Any incomplete data entry in Synergy would hold up processing and disbursement could not take place through system thereby creating reconciliation challenges. It was designed with an inherent maker-checker system of sorts considering the fact that unless customer, collateral, credit, KYC details are not entered through different functions, disbursements would not take place. These crucial check points were integrated during the transition from earlier FoxPro system, enhancing the system's reliability and effectiveness. This is an important turning point from the perspective of allegation of lending to BBE. As per the MCA record of BBE shared in the SCN at Annexure 15, majority of the BBE were incorporated between 2003-2014 and disbursements used to happen during FoxPro regime.

- (iii) Noticee 5 and his team only had access to "Synergy". This "Synergy" platform was operational since year 2004-2005, i.e., a decade prior in time of Noticee 5 joining the DHFL. Every loan sanctioned and disbursed under his supervision was duly supported by all necessary documents and information. In support of this, Noticee 5 had submitted "customer life cycle" document to the investigation officer while attending personal summons on June 09, 2022. Noticee 5 did not possess any knowledge or authority regarding the existence of any alleged logical partitions or the usage of other ERP software such as FoxPro or Tally nor there is any evidence tabled by SEBI about the same. Noticee 5 had no occasion or reason to conduct any due diligence with regard to this software which had been in existence long before he joined DHFL. There is no allegation in the SCN that Noticee 5 was aware of existence of BBE. All the disbursements had taken place much before him joining DHFL.
- (iv) SCN has itself recorded that 90% disbursements to the alleged BBE allegedly took place before FY 2015-16 when Noticee was not even in

employment with DHFL and that there was no disbursal post FY 2016-17. SCN has also recorded that maximum collections from the alleged BBE had happened between FY 2015-16 to FY 2018-19, which clearly shows that the allegations against Noticee 5 are incorrect.

- (v) In August / September 2018, Noticee 5 discussed with the then CMD, regarding concerns with respect to large project loans that were later highlighted in the Cobra Post in or around February, 2019. Noticee 5 communicated the discomfort felt by him due to his designation as CEO when the role was confined only to the retail business. Therefore, Noticee addressed a letter to the then CMD as well as the Board of Directors of DHFL on November 19, 2018 on the ambiguity arising out of the designation and the roles and responsibilities and further seeking indemnity coverage for any potential liabilities stemming from being the CEO with limited role and responsibility i.e. specifically being in the retail business. In turn, CMD wrote a letter dated November 21, 2018 to the Board of Directors of DHFL, along with indemnity dated November 22, 2018 approved by the Board of Directors in the board meeting held on November 21, 2018. The KRA for FY 18, which was put up before the Board of DHFL would further clarify that the role of Noticee 5 was confined to the retail loans and that Noticee 5 was not responsible for maintaining or growing Assets Under Management (AUM).
  
- (vi) No email from the email dump provided to Noticee 5 pertains to BBEs. Emails / board minutes which show that Noticee 5 had no involvement in BBEs are as follows:
  - (a) Email dated December 17, 2015;
  - (b) Email dated December 31, 2015;
  - (c) Email dated June 19, 2018;
  - (d) Emails dated March 12, 2015, May 23, 2017, and May 03, 2018;

- (e) Email dated January 29, 2015;
- (f) Emails dated December 26, 2017 and January 11, 2018;
- (g) Emails dated August 31, 2017 and August 30, 2017;
- (h) Email dated July 02, 2017;
- (i) Email dated January 23, 2016;
- (j) Email dated June 22, 2016;
- (k) Email dated January 13, 2017;
- (l) Emails dated January 07, 2016 and January 08, 2016;
- (m) Minutes of board meeting of DHFL held on May 04, 2016, May 03, 2017, July 21, 2017 and April 30, 2018;
- (n) Email dated November 07, 2017;
- (o) Emails dated July 30, 2018 and August 01, 2018;
- (p) Email dated November 02, 2018 and trail emails; and
- (q) Email dated March 05, 2019.

#### **11.2.4 Loans given to BBE were coming down and collections were rising during Noticee 5's tenure**

- (i) Para II, Table 2 indicates the year wise total disbursements and total collections of the BBE for the FY 2015-16, in the said year the total disbursement was INR 1129 crore and total collection was INR 1649 crore resulting in approx. 500 crore worth of collection i.e. resulting in reduction in AUM of approximately INR 500 crore representing <1 % of AUM (basis data in Table 10). In effect the "fraudulent" loans were coming down.
- (ii) Similarly, in the year 2016-17, total BBE disbursement were INR 25.27 crore (or INR 2.11 crore per month) for the year and total annual receipts was INR 4804 crores (or INR 400 crores per month) but it was the same year when the genuine disbursements touched INR 1410 crore per month. There were no BBE disbursements in 2017-18 and 2018-19 and no BBE collection in 2017-18 and BBE collection of INR520 crores in

2018-19. Actual disbursements surged to INR 2000 crore per month during this time. This confirms the downward trend of Bandra Book portfolio.

- (iii) In the first year of Noticee 5's employment with DHFL (2015-16), monthly BBE disbursement on overall "real" disbursement was at about INR 94 crores per month vis-a -vis INR 1,101 crores per month of disbursement representing 8.5% of disbursal compared to annual INR 2,269.17 crores of BBE disbursal in FY 2014-15 vis a vis annual INR 11,877.73 crores of real disbursement in FY 2014-15 where BBE disbursal represents 19% of disbursements indicating reversal of BB disbursal activities. During the years when BBE disbursements were higher than the non BBE disbursements, DHFL had on rolls a full time CEO and by the same logic as per SEBI is equally responsible on all counts as alleged in the SCN. During those years, it was not mandatory for CEO to sign the compliance certificate and hence he might not have signed compliance certificate but the role and responsibilities remained the same.
- (iv) This data confirms that the downward trend of BBE portfolio when Noticee 5 joined the DHFL. Consequently, the notion of Noticee 5 being aware of any ongoing activities becomes baseless. This situation also explains why these circumstances managed to evade detection in various audits as there were no evident red flags raised.
- (v) Upon further analysis of Table 10 in the SCN, it becomes evident that when Noticee 5 joined DHFL in the year 2015, BBE had already accounted for 25.65% of the total loan book and constituted a portion of the overall Assets under Management (AUM). According to the data provided in Table 10, the percentage representation of BBE within the overall outstanding loans has come down during the tenure of Noticee 5. This decrease can be attributed to two main factors: (i) Noteworthy

declines or even complete absences of BBE disbursements; (ii) Substantial growth in the disbursement of "genuine" loans.

- (vi) Basis the available data, disbursements of BBE commenced in the FY 2007-08 and extended until the FY2017-18. Borrowings from the market, as indicated in Table 11, commenced in FY 2008-09. Combining these datasets reveals that starting from FY 2008-09, when DHFL began market borrowings, BBE disbursements were a constituent, accounting for 35.14% of total loans. This pattern persisted till the end with BBE% coming down in last 4 years. This trend leads to an inference that throughout the years, beginning with 2007-08, the financial records contained fraudulent disbursements. These same deceptive financials were presented during the borrowing phases. SEBI concluded that from 2007-08 to 2014-15, all transactions, operations, technological aspects, banking activities, and treasury functions were solely conducted by individuals denoted as Noticees 1-4. There were no Key Management Personnel (KMP), Chief Executive Officer (CEO), Chief Financial Officer (CFO), or senior management involved in facilitating these fraudulent transactions or abetting these actions. However, during the period of 2015-19, when BBE transactions nearly ceased, the CEO and CFO became subjects of investigation for their role in the previous fraudulent activities and presentation of deceptive financial data.

#### **11.2.5 Various audits, upgrades and network security measures could not find existence of BBE**

- (i) Mr. J N Shah and Mr. Jayesh Khona would get email approvals from the then CMD. Mr. Jayesh Khona was reporting directly to the then CMD.
- (ii) Ms. Priya Naik along with Mr. Jayesh Khona and Mr. Pankaj Rana ensured that the branch code 001 is kept in isolation and FoxPro was hosted on a standalone system instead of the regular LAN setup.

- (iii) During the time, the Noticee served as CEO, the Noticee would receive the final balance sheet and profit and loss account from CFO Santosh Sharma. These documents were provided by Mr. Jayesh Khona and Pankaj Rana (CA) for review on every quarter end after audit/limited review was completed by auditors' team.
- (iv) In addition to the above check points, the internal audit department, Internal Finance Control (IFC) report by Grant Thornton, joint statutory audit by 2 reputed CA firms, regulatory NHB annual inspection, special audit by NHB, regular stock audit by consortium banks which had taken place could never find existence of BBEs. Hence, there was no reason for Noticee 5 to doubt the financials or to conduct any additional due diligence. Additionally, a change in SEBI requirements in the year 2016-17 of inclusion of CEO to sign the compliance certificate necessitated the change to sign the compliance certificate. However, this did not change the role and responsibilities of Noticee 5 as there was no change in the organogram as can be observed.
- (v) The branch auditors were specifically appointed for branch audits by the finance/accounts team as per directions from statutory auditors. Throughout their tenure as branch auditors, they never red flagged any Bandra branch account.

**11.2.6 Email dated April 25, 2018 does not prove that Noticee 5 was aware of BBEs**

- (i) With reference to paragraph 60.4.6 of the SCN, the email dated April 25, 2018, was more than 3 years and 3 months after Noticee 5 joined DHFL. The email is a continuation of a comprehensive presentation delivered by Ms. Jyothirlatha B on the Tech 2.0 IT tech transformation initiative across the organization. The presentation encompassed all aspects of DHFL

undergoing tech transformation, including financial accounting, treasury, securitization modules, and various other modules. It establishes that DHFL was indeed undergoing tech transformation during that time. Additionally, it coincided with the migration of the fixed deposit system to a new software platform provided by Infracore Technologies. Back in 2014, DHFL had acquired Deutsche Postbank Housing Finance Company or First Blue Housing Finance Company Ltd. (FB), which operated on a different platform called FinOne, a lending solution by Nucleus Software. Even after the merger of FB with DHFL, the two entities continued to run on separate systems for some time, leading to parallel operations within the company. In the year 2015/16, as the first step towards full integration, the migration of the systems occurred, and the entire FB database/ portfolio was merged with DHFL's portfolio. Despite this, certain branches from the erstwhile FB were still referred to as FB Gurgaon or FB Noida, distinguishing them from DHFL's branches in Gurgaon or Noida. During the period of tech transformation, it was crucial to migrate all the company's data to a single platform to ensure improved data hygiene and streamlined report modules.

- (ii) In the above context, Ms. Jyothiratha B came across the "Bandra Portfolio" and considered its migration to the new platform. The email, however, does not mention any "fictitious" branch, the volume of such accounts, disbursed amounts, or indicate that it constitutes a standalone portfolio. Importantly, migrating data to the new platform involves consolidating all data in one database, distributing operations across various units, such as operations, collections, accounts, customer service, and branches. This consolidation also requires that EMIs be deposited according to their due dates. If the BBE data been merged, the initial month of EMI banking would have overwhelmed the entire operations, collections, and call centre units due to potential bounces, resulting from the merging of the 'fake' Bandra book portfolio with the live portfolio, thereby exposing the entire situation. Therefore, had Noticee 5 been aware of the true nature of the portfolio's contents, he would not have pursued the migration with the then CMD. On

the contrary, if Noticee 5 was abetting any illicit activities, he would have discouraged Ms. Jyothirlatha from proceeding further. The email dated April 25, 2018, along with the attached power point presentation on Tech 2.0, and the email dated March 26, 2018, do not provide any indication that the Bandra portfolio involved fraudulent transactions. This communication is from an IT perspective, there is no apparent evidence or suggestion of fraudulent activity associated with these communications.

(iii) Reliance on such an email without a certification under section 65B of the Evidence Act is not permitted and untenable and consequently the email is inadmissible in evidence. Therefore, SEBI cannot rely upon such an email without recording a statement of Ms. Jyothirlatha B. Pursuant to the email, Noticee 5 was personally called up by the then CMD and advised that migration of the Bandra Portfolio is a sticky portfolio and should be the last to migrate after entire Tech 2.0 transformation. Without any suspicion, Noticee 5 proceeded with migration of the remaining tasks.

(iv) During his 4-year tenure at DHFL, Noticee 5 received thousands of emails. Remembering the contents of each and every email is not humanly possible. During this period, there was only one email that made a passing reference to the so called 'Bandra Portfolio'. Notably, this email was not included in the main presentation and did not provide any indication of the existence of such a portfolio on FoxPro. SEBI has not tabled any email during 2014-15, 2015-16, 2016-17, 2017-18, i.e., for a period of 38 months out of total of 53 months of employment with DHFL about Noticee 5 being aware of the BBE. For the balance 15 months, there is only one email which mentions the technology related points.

#### **11.2.7 Other submissions of Noticee 5**

(i) With regard to paras 22 and 23 of the SCN, Noticee 5 was not aware of any such relation between the BBE and the promoters of DHFL.

- (ii) With reference to paragraph 34 of the SCN, an email exchange and job description is purely internal within the accounts/finance department, circumventing the CEO's involvement.
- (iii) Throughout the tenure of Noticee 5 at DHFL, he had not exercised a single ESOP grant. If Noticee was aware of such wrong doings, he would have easily exercised ESOPs to make profits.
- (iv) Jignesh Mehta and Amit Chaturvedi of Chaturvedi and Shah have *inter alia* stated that internal audit was reporting to audit committee. They further clarified that the role of Noticee 5 was primarily focused on the retail side. For retail matters, they communicated with Mr. Vivek Kannan, while for project finance, the liaison was with Mirashie (Business Head for Project Finance, reporting directly to Noticee 1). Further, Mr. Abhijit Damle from Deloitte has explicitly mentioned that Noticee 5 exclusively handled the retail business.
- (v) A reference check would further reveal that Noticee 5 was not engaged at all in the alleged affairs of BBEs. The reference check assumes importance as the same was done soon after the alleged fraud came to light. The reference and background verification was done by one of the Big 4 consulting firms by a prominent investor wishing to start a housing finance company for which Noticee 5 was roped in. This verification and reference check was done in the light of alleged DHFL fraud.
- (vi) A presentation to audit committee was made in September, 2018 which details the retail numbers as per Synergy. This goes to prove that the board of DHFL was indeed presented the true retail figures in details. In addition to the audit committee presentation, minutes of the audit committee dated September 21, 2018 is also attached. Page No. 18 Agenda #6 mentions the loan portfolio of home loans. The loan portfolio does not include BBE disbursements since it was never a part of review /

purview. As understood with a hindsight, BBE disbursements were always corporate loans disguised as retail loans.

(vii) Though the Noticee held the title of "CEO" in the DHFL, he was not involved in the formulation or implementation of the project loan policy.

(viii) None of the individuals or employees who were summoned, questioned, or whose statements were recorded, had mentioned Noticee 5 even once in connection with the alleged disbursement process. This highlights how critical is the email dump and the requested documents. None of the witnesses relied upon by SEBI had given any statement against Noticee 5, nor were they called for examination or had their statements recorded. They were never made a party to the proceedings.

11.3 Reply of Mr. Santosh Sharma (Noticee 6) submitted *vide* emails dated January 05, 2024, March 04, 2024 and November 20, 2024 is summarized below:

#### **11.3.1 Email dump provided to Noticee 6 is incomplete**

- (i) Email dump has been selectively provided even though Noticee 6 had sought email dump of all employees mainly Mr. Kapil Wadhawan and the head of departments.
- (ii) Noticee 6 joined the company in April, 2013, and he was given additional responsibility as CFO from April 30, 2014. However, the email dump made available to him is only from July, 2015 onwards.
- (iii) In the email dump provided, the "sent" folder does not contain all the emails sent by Noticee 6.

#### **11.3.2 Appointment and role of Noticee 6 in DHFL**

- (i) The Company had a clear division internally based on the nature of work. The main functions of the Company were borrowing *i.e.* raising funds and lending. Throughout his tenure with the Company, he was involved only on the borrowing side of the Company. Disbursements of any loan did not fall under his area of operation. The organizational structure of people reporting to Noticee 6 throughout his tenure is annexed.
- (ii) He was appointed as the Assistant General Manager, Finance from March 05, 2007 to June 02, 2010. His reporting was to Prashant Chaturvedi, who was the Treasury / Finance Head at the time. His role was to raise funds from banks by way of term loan and working capital. It included *inter alia*, coordinating with the bank, following up with the bank, getting annual borrowing assessment done from the lead bank. From June 03, 2010 to March 2013, he was working in Indiabulls Financial Services as the Vice President, Treasury in a similar role.
- (iii) From April 01, 2013 to April 30, 2014, Noticee 6 was appointed as the Treasury / Finance Head with the Company. He reported directly to the CMD, Kapil Wadhawan. His role as Finance Head was to execute the instructions of the CMD to raise funds for the Company. He operated from the BKC office of the Company. He was handling the execution of borrowings, securitization and investing of surplus funds and also dealt with rating agencies.
- (iv) With respect to the period, April 30, 2014 to February 2017, on April 30, 2014, he was also given the additional role of CFO on temporary basis. It was represented to him that such role was given only temporarily until a new person is found for the role. His main role continued to remain that of Treasury / Finance Head. He did not have any role in the preparation of accounts. The accounts department was headed by Mr. Jayesh Khona who reported directly to the CMD. The accounts department operated out of the Bandra office.

- (v) In October 2015, Mr. Jayesh Khona was replaced by Mr. Pankaj Rana as the new head of accounts. It was informed to Noticee 6 that Pankaj Rana would report to him administratively. Functionally, Mr. Pankaj Rana reported directly to CMD and Mr. Jayesh Khona. There was no change in scope of work of Noticee 6. His work continued to be that of fund raising. He was not involved in the accounts part of any transaction.
  
- (vi) In February 2017, the Company appointed a new Treasury Head, Mr. Bharat Prateek, instead of CFO. Noticee 6 expressed his displeasure regarding the same and addressed emails to the CMD. As a result of appointment of another Treasury Head, the work was divided between Noticee 6 and the other head. The other head took over investment activity and partial fund raising by way of NCD except some FIs, securitization with some lenders and masala bond while Noticee 6 continued doing fund raising of term loan from all banks, ECB, NHB refinance public issue of NCD. Noticee 6 was working out of the BKC office until August 2017. From August / September 2017, the entire team of DHFL started functioning from DHFL house Andheri East, and Noticee 6's main function continued as treasury person for fund raising. Apart from Mr. Pankaj Rana, Noticee 6 did not know and could not have known any of the accounts team employees.

### **11.3.3 Wrong KRA uploaded on HR system**

- (i) In February 2018, for the first time a concept of Key Role Areas (“**KRA**”) was issued in the Company. KRA of Noticee 6 was uploaded by the HR on the HRMS software. There was no official communication of such KRA either from the board of directors or the CMD. On becoming aware of the KRA, Noticee 6 immediately objected to the KRA issued and spoke to the HR Head Mr. Rajendra Mehta about it. Noticee 6 also sent emails regarding his non-acceptance of such KRA. The HR conveyed that CMD would speak to Noticee 6 and finalize the same. Since the KRA was not

officially sent by the board or CMD, the KRA was not even used for appraisal purpose and simply became a draft document. As such, KRA cannot be relied upon as it was not an official communication from the board or the promoters but was uploaded by the HR without any context and was incorrect.

- (ii) Noticee 6 had raised the issue of his role of CFO as he did not want the role. Time and again he had asked the CMD to bring in a CFO but no new CFO was appointed. Noticee 6 had started looking for a new job. However, in September 2018, the NBFC liquidity meltdown took place. Given his role as treasury head, Noticee 6 helped the Company to raise funds at the difficult time and in November 2018, he resigned from the Company. Noticee 6 had already requested resignation vide letter dated November 15, 2018 which was also emailed to the CMD on November 25, 2018. However, he was only released on March 15, 2019 from the position of CFO and on March 18, 2019, from position of strategy head. Noticee 6 had highlighted his role being a fund raising in the letter to CMD. The CMD has not disputed this fact. The resignation letter dated November 15, 2018 along with correspondence is annexed.
  
- (iii) Noticee 6 was not heading the entire corporate accounts department and the employees viz. Mr. Hemant Shah, Ms. Priya Naik, Ms. Sangeeta D Amin as alleged in the SCN. The head of the accounts was Mr. Jayesh Khona until October, 2015 and thereafter Mr. Pankaj Rana. This is evident from the following:
  - (a) The employees viz. Mr. Hemant Shah, Ms. Priya Naik, Ms. Sangeeta D Amin in their statements give to SEBI clearly state that they were reporting to Mr. Jayesh Khona and Mr. Pankaj Rana. There is no reference to Noticee 6 in any of the statements made by them.

- (b) The statement of Mr. Pankaj Rana recorded by KPMG in its report also clearly shows that Noticee 6 was not involved in the accounting process and in the fraudulent transactions of BBE. Mr. Pankaj Rana has also made certain false statements to KPMG for which Noticee 6 had requests SEBI to give him an opportunity to cross examine Mr. Pankaj Rana. The extract consisting of statement by Pankaj Rana from the KPMG Report is annexed. The statement of Pankaj Rana given to CBI also makes it evident that the accounts department was headed by Pankaj Rana and that Noticee 6 was not involved in any accounting process. The statement of Pankaj Rana as given to CBI is annexed.
- (iv) Reliance is placed on:
- (a) Email dated June 01, 2017 of Mr. Prasad Patki addressed to Noticee 6 whereby Mr. Prasad sent him an excel sheet pertaining to his reportees. There is no person allegedly connected to BBEs or accounts team except Head of Accounts Mr. Pankaj Rana (who was administratively reporting to Noticee 6) in the team of Noticee 6.
- (b) Emails sent in May, 2017 by Mr. Pankaj Rana to HRD (Mr. Prasad Patki) wherein Mr. Pankaj Rana has personally requested HRD to consider promotions of Mrs. Priya Naik and Ms. Sarika Pandya. The accounts team performance review was thus done by Mr. Pankaj Rana.
- (c) Emails sent in September, 2017 by Mr. Pankaj Rana wherein he has circulated a new organisational structure which shows that he was the head of accounts including *inter alia* the corporate accounts department accounting and branch accounting.

#### **11.3.4 CFO certificate signed by Noticee 6**

- (i) It was a standard practice in the company to obtain the compliance certificate from the senior management.
- (ii) The extract of minutes of a board meeting dated May 03, 2017 shows that after confirmations were received from the departmental heads, the compliance certificate was reviewed and noted by the Chairman & Managing Director and the Company Secretary and thereafter it was produced before the board. Basis the review done by the Chairman & Managing Director and the Company Secretary, Noticee 6 signed the balance sheet. The CFO certificate is basis a *bona fide* belief that the statements are true and correct.

#### **11.3.5 Email dated February 15, 2018 and February 19, 2018**

- (i) Noticee 6 cannot be said to have knowledge about the Foxpro software of Bandra branch basis the email dated February 19, 2018 which gave the job descriptions of the employees of the accounts team.
- (ii) The words Foxpro and Bandra / Bandra Portfolio by itself do not mean anything or can be attributed to fraud. Noticee 6 was completely unaware of the softwares used or the BBEs and as such even going through those words would not mean anything to him.
- (iii) Without prejudice, even if such emails are taken to consider that Noticee 6 had knowledge of Foxpro Software or Bandra Portfolio to mean BBEs, such email was only received on February 19, 2018. Applying the same rationale, it cannot be said that Noticee 6 was aware of existence of Foxpro or BBE before February 19, 2018. Therefore, any allegations of knowledge of BBE before FY 2017-18 cannot sustain against him. It is also the case of SEBI that there were no disbursements to BBE post 2016-17. Therefore, in any case Noticee 6 cannot be alleged to have known of the BBE.

### **11.3.6 PFUTP Regulations are not violated**

- (i) Section 12A and Regulation 3 essentially require that a device, scheme or artifice be employed or used in connection with issue or dealing in securities. Regulation 4 also requires an act relating to securities. “Dealing in securities” as defined under regulation 2(1)(b) of PFUTP Regulations. Thus, section 12A becomes applicable only when a person deals in securities either directly or indirectly and indulges in manipulative and deceptive devices etc. Noticee 6 has not dealt in any securities.
- (ii) Reliance is also placed on Hon’ble SAT’s decision in the case of Price Waterhouse and Co. v. SEBI (Appeal no. 6 of 2018, dated 09.09.2018). It is not alleged that Noticee 6 has induced any fraudulent act. Therefore, in view of the said judgment, he cannot be said to have violated regulation 3 and 4 of the PFUTP Regulations. Reliance is also placed on Hon’ble SAT’s decision in the case of Mani Oommen v. SEBI (Appeal 183 of 2020, dt.18.02.2022). The SCN does not establish a charge of connivance against Noticee 6 in alleged fraudulent transactions by the Promoters.

### **11.3.7 Section 27 of the SEBI Act is not applicable**

- (i) It is evident from the SCN that the fraudulent transactions have been committed by the Promoters. Section 27 of the SEBI Act expressly excludes persons without whose knowledge the contravention was committed. It is not alleged that Noticee 6 was involved in the transactions. In any case, the fraudulent transactions are from FY 2006-07 onwards and ended in 2016. Noticee 6 was given the role of CFO in April 2014. Therefore, he cannot be held liable for such transactions. It is evident from the annexures to the SCN that at no point of time Noticee 6 was involved in any of the fraudulent transactions.

- (ii) Reliance is placed on order of Hon'ble SAT in the case of Almondz Global Securities Ltd. vs. SEBI (Appeal no. 275 of 2014). Given that not even the statutory auditors and other authorities on their due diligence could find fault with the transaction statements furnished to them, it cannot be held that on reasonable due diligence Noticee 6 could have found the fraudulent transactions or as such can be reasonably presumed to have known about the transactions. Therefore, he cannot be held liable for the offences of the company under section 27 of the SEBI Act.

### **11.3.8 No false information has been furnished**

Noticee 6 has not given any false information to the summons of SEBI. He was not aware of the softwares used for accounting purpose or the BBEs. As such, he cannot be held to have violated section 11(C)(2), 11(C)(3) or 11(C)(5) of the SEBI Act.

### **11.3.9 Other submissions**

- (i) As Noticee 6 was not involved in the functioning of the accounts department, he was not aware of the softwares used by the team or the existence of the Bandra books. The SCN itself states Promoters maintained separate books. The final accounts which came to Noticee 6 for signature would be audited financial statements. The financial statements would be consolidated statements drawn from the separate books maintained. Unless Noticee 6 conducted a forensic audit there was no way for him to know or suspect any fraud happening in the accounts as he was not aware of how the accounts were drawn.
- (ii) It is also stated in the SCN, that 90% of the fraudulent disbursements were made prior to FY 2015-16 and there is no disbursement post FY 2016-17 (para 11 of SCN). Noticee 6 had become the CFO on April 30, 2014. It is further stated in the SCN that the fraud was perpetrated by the Promoters even

before 2006-07 when Noticee 6 was not even in the Company. Therefore, it is not reasonably possible for Noticee 6 to know on his appointment that the Promoters had perpetrated fraud much earlier than his appointment.

- (iii) Moreover, the Company also had an internal audit department and regular yearly inspection was carried out of the accounts, borrowers also appointed auditors for stock audit every year, Internal finance control review was also done by Grant Thornton, Statutory audit was also carried out periodically by reputed audit firms, foreign investors also carried out their due diligence and the Company was rated AAA by an external rating agency. Even the regulator NHB used to conduct special inspection apart from regular annual inspection. No issues were raised by any agency regarding financial statements. Therefore, Noticee 6 gave the CFO certificate in *bona fide* belief that the statements were true and correct.
- (iv) It is also evident from the emails annexed in the SCN regarding the BBEs and related transactions, that Noticee 6 was not aware or involved in fraudulent transactions. The internal emails and communication regarding loans to BBEs are not marked to Noticee 6 or state his name anywhere. Apart from the internal emails exchanged amongst the accounts team, even the emails allegedly exchanged with employees of RKW Developers Pvt. Ltd., there is no mention of Noticee 6 or any emails that are marked to him.
- (v) From the statements of individuals, namely, Jayesh Khona, Pankaj Rana (statement to CBI and KPMG interview), Vinod Nekhiladi (as per statement to CBI), Priya Naik, Sangeeta Amin, Hemant Shah, Satish Kotian, and Sonpal Jain, it is clear that Noticee 6 was not involved in any of the BBE transactions.

- (vi) Noticee 6 has not made any gains or gotten any unfair advantage as a result of any default. He is a victim of the fraud perpetrated by the Promoters as is evident from the facts stated above.

12. *Vide* letters dated August 14, 2024 and August 18, 2024, Noticees 1 and 2 requested for cross-examination, respectively. Noticee 1 requested for cross-examination of the following individuals:
- a. Ms. Priya Pravin Naik (Senior Accounts Manager);
  - b. Mr. Hemant Chimanlal Shah (Manager- Accounts);
  - c. Mr. Jayaprasad Salian (Senior Chief Manager- IT);
  - d. Ms. Sangeeta D Amin (Assistant VP- Accounts);
  - e. Mr. Vinodh Kumar Nekhiladi (Deputy VP- Accounts);
  - f. Mr. Govindan Srinivasan (Senior VP and Executive Assistant to Chairman);
  - g. Mr. Jayesh Khona (Senior – VP Special Projects);
  - h. Mr. Satish Kotian (Erstwhile Senior VP - Accounts- IT);
  - i. Mr. Samir Paranjpee (Partner- Forensic Services, Grant Thornton India LLP)

Further, Noticee 2 requested for cross-examination of the individuals at serial nos. a. to f. above.

Out of the aforesaid individuals, SEBI has recorded statements / sought responses from the following individuals:

- a. Ms. Priya Pravin Naik (Senior Accounts Manager)- Email reply dated August 06, 2021;
- b. Mr. Hemant Chimanlal Shah (Manager- Accounts)- Statement recorded on September 05, 2022;
- c. Ms. Sangeeta D Amin (Assistant VP- Accounts)- Statement recorded on September 06, 2022;
- d. Mr. Jayesh Khona (Senior – VP Special Projects)- Email reply dated August 27, 2021; and
- e. Mr. Satish Kotian (Erstwhile Senior VP - Accounts- IT)- Statement recorded on September 05, 2022.

The statement of Mr. Hemant Chimnalal Shah (Manager- Accounts) has not been relied upon in the SCN. Therefore, cross-examination was granted of the following persons only with respect to the submissions / statements listed below:

- a. Ms. Priya Pravin Naik (Senior Accounts Manager)- Email reply dated August 06, 2021;
- b. Ms. Sangeeta D Amin (Assistant VP- Accounts)- Statement recorded on September 06, 2022;
- c. Mr. Jayesh Khona (Senior – VP Special Projects)- Email reply dated August 27, 2021; and
- d. Mr. Satish Kotian (Erstwhile Senior VP - Accounts- IT)- Statement recorded on September 05, 2022.

13. In view of the above, Noticee 1 conducted the cross-examination of the following individuals on the dates listed below:

**Table 2: Details of cross-examination conducted by AR of Noticee 1**

#	Name of individual	Date of cross-examination
1.	Mr. Satish Kotian (Erstwhile Senior VP - Accounts- IT)	September 26, 2024
2.	Ms. Sangeeta D Amin (Assistant VP- Accounts)	October 01, 2024
3.	Mr. Jayesh Khona (Senior – VP Special Projects)	October 08, 2024
4.	Ms. Priya Pravin Naik (Senior Accounts Manager)	October 09, 2024
5.	Mr. Samir Paranjpee (Partner- Forensic Services, Grant Thornton India LLP)	December 05, 2024

### C. ISSUES FOR CONSIDERATION

14. This is a case of alleged diversion of funds from DHFL to 87 “Bandra Book Entities” (BBEs) that are Promoter/ Promoter group connected and controlled, and the resultant misrepresentation of financial statements of DHFL. The funds diverted were allegedly concealed using 3 different software to give the impression that the money disbursed was given for the purpose of home loans. In this regard, I note that the SCN *inter alia* alleges that:

- (i) DHFL during the FYs 2007-08 to FY 2018-19, has disbursed funds to the tune of INR 11,309.12 crores to 87 companies, from a virtual branch named “Bandra” with

approval of Mr. Kapil Wadhawan (Noticee 1) using a particular Union Bank of India account. These 87 companies are referred to as “Bandra Book Entities” (BBEs). Majority of the BBEs had weak financial strength and the funds disbursed to them were not commensurate with their financial position.

- (ii) The 87 BBEs were directly/ indirectly connected to each other or the Promoters of DHFL. All these BBEs were controlled by Mr. Kapil and Mr. Dheeraj Wadhawan. In view of this, these entities were actually “Related parties of DHFL” in terms provisions of Companies Act, 2013, AS-18, Ind AS 23 and LODR Regulations. However, the Company failed to disclose the same and failed to take approvals for requisite transactions as per the LODR Regulations. These transactions were never placed before the board of directors and audit committee members.
- (iii) DHFL used three ERP software to maintain the records of disbursement to these 87 BBEs, namely, FoxPro, Synergy and Tally. DHFL started using the Synergy system since 2006. Before that, it was using FoxPro for bookkeeping and loan management purposes. At month end, codes were executed in FoxPro which led to auto-generated entries and entries were manually passed in Tally for actual disbursement and collection. Entries were also passed in Synergy during month-end to replicate auto-generated entries passed by the FoxPro codes.
- (iv) Using FoxPro, the actual disbursement made to 87 BBEs of INR 11,309.12 crores during FY 2007-08 to FY 2018-19, was camouflaged and recorded as 2,24,491 fictitious home loan accounts of smaller amounts of average ticket size of INR 0.1 crores. Further, no Equal Monthly Instalment (EMI) or Pre-Equated Monthly Instalment (PEMI) due from these BBEs was received, hence, the EMI and PEMI, were shown as received and a book entry of fresh disbursement for the same amount was made on the same day, leading to recording of additional disbursement of INR 10,685.95 crores during the FY 2007-08 to FY 2018-19. Hence, the total disbursement recorded to BBEs during the FY 2007-08 to FY 2018-19, was INR 21,995.07 crores instead of actual disbursement of INR 11,309.12 crores. Further, in this process, fictitious interest income of INR

10,853.68 crores was also recorded from the BBEs during the aforementioned period.

- (v) The above transactions have, resulted in the inflation of the assets (housing loans disbursed) by INR 10,685.95 crores and the interest income by INR 10,853.68 crores over the aforesaid period. Further, the actual disbursements of INR 11,309.12 crores to 87 BBEs during FY 2007-08 to FY 2018-19, is disclosed as “Housing Loans” in the Annual Report instead of “Other Property Loans”, which has resulted into misrepresentation of financial statements by that amount.

The issues before me are as follows:

#### **PART I: PRELIMINARY OBJECTIONS**

**Issue I:** Whether there was a delay in issuance of SCN in the present case?

**Issue II:** Whether the email dump provided to Noticee 5 by SEBI is incomplete or amounts to re-opening of case?

**Issue III:** Whether the email dump provided to Noticee 6 by SEBI is incomplete?

**Issue IV:** Whether the present proceedings suffer from non-joinder of necessary parties as alleged by Noticee 5?

**Issue V:** Whether Noticee 2 / his ARs were afforded sufficient opportunities to cross-examine individuals?

**Issue VI:** Whether SEBI ought to have permitted Noticee 6 to conduct cross-examination of Mr. Pankaj Rana?

#### **PART II: ISSUE ON MERITS**

**Issue I:** Whether DHFL had siphoned off funds to Promoter related entities and misrepresented its financial statements?

**Issue II:** Whether DHFL had violated related party transaction related regulations?

**Issue III:** If the answer to I. and II. above is in affirmative, whether Noticees 1 to 6 are responsible for the violations of DHFL?

## PART I: PRELIMINARY OBJECTIONS

**Issue I:** Whether there was a delay in issuance of SCN in the present case?

15. Noticees 3 and 4 have argued that there is an inordinate and inexplicable delay of more than 13 years in issuance of SCN dated June 20, 2023, as far as Noticees 3 and 4 are concerned. Noticees 3 and 4 have relied on the orders of Hon'ble SAT in Shriram Insight Share Brokers Ltd. (supra), Ashok Shivlal Rupani & Anr. (supra), and Ashlesh Guvantbhai Shah (supra). In this regard, I note that it is alleged in the SCN that during FY 2006-07 to FY 2018-19, disbursements to 87 BBEs were accounted for having been issued by the "Bandra" branch. Thus, the investigation pertaining to the "Bandra branch" stretched until FY 2018-19 (*the last collection from BBEs is recorded in FY 2018-19 of INR 520.65 crores*), even though the role of Noticees in 3 and 4 as Non-Executive Chairman and Non-Executive Director, respectively, ended on July 28, 2009. The general principle is that delay calculations are anchored to the end of investigation / activity and not the end of role of one Noticee. If the delay period is to be considered from end of the role of a single Noticee, different limitation periods would apply to different parties in the same matter, leading to arbitrary results. The Interim Order in the matter was passed on September 22, 2020, *inter alia*, naming Noticees 1-4. Thus, the timeline between the end of violation (FY 2018-19) and passing of Interim Order is less than 2 years, whereas in the cases of Shriram Insight Share Brokers Ltd. (supra), Ashok Shivlal Rupani & Anr. (supra), and Ashlesh Guvantbhai Shah (supra), there was a delay of 7.5 years, 8 years and 7 years from the period of alleged violation. Further, due to delay in submissions of the noticees and observations of the TAR (final TAR became available to SEBI in January, 2021), detailed investigation (DI) in the matter was initiated on June 03, 2021. The Company was already undergoing CIRP proceeding and was in final stage of the resolution plan approval when the matter was converted to detailed investigation. Confirmatory order was passed on October 22, 2021. During November, 2021 to October 2022, summons for production of information were issued and statement of entities were recorded. Further, information was also gathered from the new management of the Company. Pursuant to the investigation, the action matrix was approved on February 06, 2023 and SCN was issued on June 20, 2023. Upon a detailed review of the sequence of events narrated above, I do not find any signs of irregularity,

or deviations, that would warrant further concern. Further, the Noticees have not presented how the time taken by SEBI to issue the SCN was avoidable or how the delay claimed has prejudiced their ability to defend the allegations. Considering all of the above, I am of the view that the proceedings cannot be said to have been unjustifiably or unduly delayed or that the delay has vitiated the quasi-judicial proceedings.

**Issue II:** Whether the email dump provided to Noticee 5 is incomplete or amounts to re-opening of case?

16. Noticee 5 has argued that selective / limited sharing of crucial evidence has denied Noticee 5 the opportunity to fully contest the allegations made against him and it constitutes a violation of Hon'ble Supreme Court's ruling in the matter of T. Takano. Further, providing the email dump of Noticee 5, five months after the conclusion of hearing amounts to re-opening of case.
  
17. I note that Noticee 5 in his reply dated January 02, 2024 and May 08, 2024, had requested for email dump of Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan, Mr. Harshil Mehta, Mr. Jayesh Khona, Mr. Santosh Sharma and Mr. J.N. Shah. Pursuant to the request of Noticee 5, the entire email dump of Noticee 5 available with SEBI was provided to him on September 13, 2024 (which included emails not relied upon by SEBI). The email dump of the rest of the officials of the Company requested were not provided as the said emails contain third-party information and unrelated transactions (this was also earlier communicated to Noticee 5 by SEBI). The Hon'ble Supreme Court in T.Takano (supra) has held that material which is relevant and that has nexus with the action taken by the authority needs to be disclosed. The right to disclosure is not absolute. SEBI is required to *prima facie* establish that the disclosure of the information would affect third-party rights. The onus then shifts to the Noticee to prove that the information is necessary to defend his case appropriately. I note that Noticee 5 has not been able to demonstrate what exactly is likely contained in the email dump of other officials of the Company that is necessary for him to defend his case. Thus, I find this contention to be untenable.

18. Notice 5 has also argued that the regulators' failure to provide the complete email dump has put him in a position where he is compelled to prove his innocence based on his own emails. This is against the fundamental principles of jurisprudence, which states that onus of proof should not be placed on the accused. In this regard, it becomes important to understand the concept of "onus of proof". The Hon'ble Supreme Court in the case of Mahakali Sujatha vs. The Branch Manager, Future Generali India Life Insurance Company Limited & Another, decision dated April 10, 2024<sup>11</sup>, has held that:

*"43. There is an essential distinction between burden of proof and onus of proof; burden of proof lies upon a person who has to prove the fact and which never shifts but onus of proof shifts. Such a shifting of onus is a continuous process in the evaluation of evidence. For instance, in a suit for possession based on the title, once the plaintiff has been able to create a high degree of probability so as to shift the onus on the defendant, it is for the defendant to discharge his onus and in the absence thereof, the burden of proof lying on the plaintiff shall be held to have been discharged so as to amount to proof of the plaintiff's title vide RVE Venkatachala Gounder vs. Arulmigu Viswesaraswami and VP Temple, (2003) 8 SCC 752."*

Thus, in the present case, once SEBI has provided the incriminating evidence against Noticee 5 (as discussed in detail in subsequent paragraphs), the onus shifts to Noticee 5 to defend his case. From the 3000+ emails that were provided to him, Noticee 5 referred to 30 emails which, according to him, supports his defence. These will be examined and conclusions drawn thereof later in this Order. Notwithstanding this, Noticee 5's grievance regarding not being provided the entire email dump appears to stem from the assumption that the entire case against Noticee 5 is built squarely on the one email dated April 26, 2018 referred to in the SCN, sent by him to Mr. Kapil Wadhawan or that it is this email which is the conclusive or exclusive evidence against Noticee 5. As will be explained later in this Order, this is not the case. Therefore, for Noticee 5 to claim that his defence has been compromised due to the absence of all of the emails sent or received by his colleagues, to which he was not party to, can only be

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<sup>11</sup> Civil Appeal No. 3821 of 2024, available here - [https://api.sci.gov.in/supremecourt/2019/33138/33138\\_2019\\_12\\_1501\\_52180\\_Judgement\\_10-Apr-2024.pdf](https://api.sci.gov.in/supremecourt/2019/33138/33138_2019_12_1501_52180_Judgement_10-Apr-2024.pdf)

viewed as a feeble attempt to shift the onus of proving the case to SEBI. Instead of providing justifiable reasons for the impugned actions/ omissions, Noticee 5 seeks to blame the ineffectiveness of his defence to the absence of emails sent or received by others. This can only be described as an attempt at misdirection. Hence, I do not find the contentions made by Noticee 5 cited here, to be tenable.

19. Further, regarding the claim of Noticee 5 that SEBI re-opened the case after conclusion of the hearing on September 13, 2024, it may be noted that the SEBI Act or rules thereunder do not contemplate reserving cases for orders after conducting a hearing. Therefore, a noticee may request or SEBI may provide any documentary evidence even after completion of hearing. The completion of hearing is not treated as closing of the case. Hence, the question of re-opening the case does not arise and accordingly this argument does not hold any merit.

**Issue III:** Whether the email dump provided to Noticee 6 by SEBI is incomplete?

20. Noticee 6 has argued that SEBI has selectively provided the email dump to Noticee 6 even though Noticee 6 had requested for emails of all employees, mainly, Mr. Kapil Wadhawan and the head of departments. Further, Noticee 6 joined the Company in April, 2013 and he was made the CFO from April 30, 2014, however, the email dump made available to him is only from July, 2015 onwards. In the email dump provided, the "sent" folder does not contain all the emails sent by Noticee 6. The denial of emails has prevented Noticee 6 from defending himself. This he claims to be in violation of the decision of Hon'ble SC in T.Takano vs. SEBI.
21. I note that Noticee 6 in his reply dated December 21, 2023 and January 05, 2024, had requested for email dump of Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan, Mr. Harshil Mehta, Mr. Jayesh Khona, Mr. Santosh Sharma and Mr. J. N. Shah. Pursuant to the request of Noticee 6, the entire email dump of Noticee 6 available with SEBI was provided to him on September 13, 2024 (which included emails not relied upon by SEBI). The email dump of the rest of the officials of the Company requested were not provided as the said emails contain third-party sensitive information and unrelated transactions

(this was also earlier communicated to Noticee 6 by SEBI). As stated before, the Hon'ble SC in T.Takano (supra) has held that material which is relevant and that has nexus with the action taken by the authority needs to be disclosed. The right to disclosure is not absolute. SEBI is required to *prima facie* establish that the disclosure of the information would affect third-party rights. The onus then shifts to the noticee to prove that the information is necessary to defend his case appropriately. I note that Noticee 6 has not been able to demonstrate what may be contained in the email dump of other officials of Company that would help him to defend his case. Thus, I find this contention to be untenable.

22. As regards his submission that the emails are available only from July, 2015 onwards and that the "sent" folder does not contain all the emails sent by him, I note that the email dump was provided on "as is" basis. The entire email dump of Noticee 6 as available with SEBI was provided to him. Thus, this contention does not merit further consideration.

**Issue IV:** Whether the present proceedings suffer from non-joinder of necessary parties as alleged by Noticee 5?

23. Noticee 5 has contended that non-joinder of previous CEOs of DHFL in the present proceedings has deprived him of an opportunity to obtain clarification of the term "Bandra portfolio" and to cross-examine the said individuals and shed light on their role, if any, in the alleged transactions. Such non-joinder, according to him, constitutes a violation of principles of natural justice.
24. In this regard, in the case of Gurmit Singh Bhatia vs. Kiran Kant Robinson and Ors., decided on July 17, 2019<sup>12</sup>, the Hon'ble Supreme Court has held that:

*"5.2 .....It is further observed and held by this Court that two tests are to be satisfied for determining the question who is a necessary party. The tests are - (1) there must be a*

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<sup>12</sup> Civil Appeal Nos. 5522-5523 of 2019, available here: [https://api.sci.gov.in/supremecourt/2013/31740/31740\\_2013\\_4\\_1501\\_15075\\_Judgement\\_17-Jul-2019.pdf](https://api.sci.gov.in/supremecourt/2013/31740/31740_2013_4_1501_15075_Judgement_17-Jul-2019.pdf)

*right to some relief against such party in respect of the controversies involved in the proceedings; (2) no effective decree can be passed in the absence of such party....”*

Therefore, applying the two tests to the present case, I find that there is no right to relief against the previous CEOs of DHFL that can be sought by Noticee 5, and further, the non-impleadment of the previous CEOs would not render the present order ineffective. Any reference to persons who are not show caused in the present proceedings is of no relevance for the disposal of the present case.

25. Further, in the case of Ramesh Hirachand Kundanmal vs. Municipal Corporation of Greater Bombay and Ors., decision dated March 04, 1992<sup>13</sup>, the Hon'ble Supreme Court has held that:

*“14. It cannot be said that the main object of the rule is to prevent multiplicity of actions though it may incidentally have that effect. But that appears to be a desirable consequence of the rule rather than its main objectives. The person to be joined must be one whose presence is necessary as a party. What makes a person a necessary party is not merely that he has relevant evidence to give on some of the questions involved; that would only make him a necessary witness. It is not merely that he has an interest in the correct solution of some questions involved and has thought of relevant arguments to advance. The only reason which makes it necessary to make a person a party to an action is that he should be bound by the result of the action and the question to be settled, therefore, must be a question in the action which cannot be effectually and completely settled unless he is a party.”*

*(emphasis supplied)*

The reasons given by Noticee 5 for impleading the previous CEOs of DHFL are for understanding the meaning of the term “Bandra portfolio” and clarifying their role, if any, in the BBE transactions. In light of the above judgment, solely for adducing evidence, previous CEOs cannot be considered as necessary parties. Thus, this argument of Noticee 5 does not hold ground.

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<sup>13</sup> Civil appeal no. 3570 of 1991

**Issue V:** Whether Noticee 2 / his ARs were afforded sufficient opportunities to cross-examine individuals?

26. At the outset, I must note that the statement of witnesses - Ms. Sangeeta Amin and Ms. Priya Naik had no bearing or reference to Noticee 2 (Dheeraj Wadhawan). Prior to the request for cross examination filed by Mr. Dheeraj Wadhawan, *vide* letter dated August 18, 2024, Noticee 1 (Mr. Kapil Wadhawan) had also sought cross examination, *inter alia*, of these witnesses. His request was allowed and cross examination was granted since these witness statements did infact have a bearing on the allegations against Mr. Kapil Wadhawan. Subsequently Noticee 2 *vide* letter dated August 18, 2024 sought for cross examination of 6 witnesses including Ms. Sangeeta Amin and Ms. Priya Naik. Though these witness's statements did not have any bearing on the allegations against Noticee 2, since in any case their cross examination was allowed for Kapil Wadhawan, they were also allowed for Mr. Dheeraj Wadhawan. This was only done to stave off any more delays by way of repeated requests and grievances with respect to cross examination of witnesses.
27. Pursuant to Noticee 2's request *vide* letter dated August 18, 2024, cross-examination was approved with respect to Ms. Sangeeta D Amin (Assistant VP- Accounts) to be held on October 01, 2024 and Ms. Priya Pravin Naik (Senior Accounts Manager) to be held on October 09, 2024 (*both for cross examination by Kapil as well as Dheeraj Wadhawan*). The above was communicated to Mr. Vatsal Thakkar, authorized representative of Noticee 2, by email dated September 13, 2024. Further, *vide* email dated September 23, 2024, SEBI informed Mr. Vatsal Thakkar (authorized representative of Noticee 2) that SEBI has not received confirmation of his attendance in the scheduled cross-examination. He was also informed that since the quasi-judicial proceedings in this matter has already been considerably delayed, the scheduled cross-examinations cannot be permitted to be adjourned or further delayed. In this regard, *vide* email dated September 25, 2024, Mr. Vatsal Thakkar informed that due to "unforeseen circumstances", he will not be able to represent Mr. Dheeraj Wadhawan (Noticee 2). He further informed that Noticee 2 is in the process of appointing/ authorizing another advocate to represent him in the matter. In light of the above, he requested for the cross-

examination scheduled on October 01, 2024 and October 09, 2024 to be deferred. *Vide* email dated September 29, 2024, Mr. Rajdeep Nanuan informed SEBI that he has recently received instructions in the matter and he is in the process of having the authority letter signed by Noticee 2. He requested for the cross-examination scheduled on October 01, 2024 and October 09, 2024 to be delayed. He had specifically stated:

*“6) Therefore, in view of the aforesaid, I humbly request you to defer the cross examination scheduled on 1<sup>st</sup> October 2024 and 9<sup>th</sup> October 2024 to a later date, allowing me an opportunity to file the authority letter and enable me to appropriately represent my client. “*

*(emphasis supplied)*

28. After the above email, there was no communication from Noticee 2 / Mr. Rajdeep Nanuan confirming their presence for cross-examination on either October 01, or on October 09, 2024. Thereafter, *vide* email dated October 09, 2024 sent at 2.49 PM (i.e, less than 2 hours before the scheduled cross-examination), AR of Noticee 2 stated:

*“I Mr. Rajdeepsingh Nanuan the authorized representative of Mr.Dheeraj Wadhawan do hereby state and inform you that my colleague Adv. Abhishek Mishra will remain present to conduct the cross examination before the Security Exchange Board of India. “*

29. It may be noted that first, Mr. Rajdeep Nanuan sought deferment of cross-examination. Noticee 2/ Mr. Rajdeep Nanuan also did not confirm or attend the cross-examination scheduled of Mr. Sangeeta Amin on October 01, 2024. Subsequently, less than 2 hours before the earlier scheduled cross-examination on October 09, 2024 at 2.49 PM, Mr. Rajdeep Nanuan (AR of Noticee 2) sends confirmation of presence of one Advocate Abhishek Mishra by email. It may be noted that at 2.30 PM on the aforesaid date, the relevant quasi-judicial team was engaged in the cross-examination requested by Noticee 1 (Mr. Kapil Wadhawan). Therefore, it was unfeasible for the quasi-judicial team to attend to the AR of Noticee 2. Further, the witness was available only for the scheduled cross-examination by AR of Noticee 1 as she continues to be employed with a company, which restricted her ability to accommodate any unscheduled proceedings. In absence of any confirmation in advance despite repeated requests from SEBI, the witness cannot be

made to make herself available indefinitely for cross-examination ignoring her professional and personal commitments. Noticee 2 has not provided any credible explanation for the contradictory conduct of initially stating that his ARs would not appear for the scheduled cross-examination but subsequently having his ARs appear before SEBI. The sudden demand made for cross-examination places an unfair burden on the quasi-judicial authority, which operates under procedural frameworks requiring reasonable notice. This also raises doubts about the *bona fides* and true intent of Noticee 2 / his ARs. Therefore, the belated request of AR of Noticee 2 to conduct cross-examination of Mrs. Priya Naik on October 09, 2024 was denied. The above was also communicated to Noticee 2 and Mr. Rajdeep Nanuan by email on October 09, 2024. Since no response was received from Noticee 2/ Mr. Rajdeep Nanuan after the above intimation, the cross-examination *qua* them was closed. However, by emails dated January 10, 2025 and January 31, 2025 (i.e, nearly 3 months after SEBI's previous communication), AR of Noticee 2 again requested for cross-examination and stated that denial of cross-examination will prejudice the rights of Noticee 2.

30. I note that making a request for cross-examination more than one year after the service of SCN, not confirming attendance for cross-examination proceedings despite repeated emails from SEBI, changing ARs without offering any explanation, are all indications that Noticee 2 may have requested cross-examination only to stall the proceedings and had otherwise no intention to cross-examine Ms. Sangeeta Amin and Ms. Priya Naik, though I had extended the opportunity to him for his own benefit which he did not avail. In this regard, in the case of Salem Advocate Bar Association, Tamil Nadu vs. Union of India (UOI), 2005 INSC 324, decision dated August 02, 2005, Hon'ble SC in the context of Order XVII of the Civil Procedure Code, 1908<sup>14</sup> held that:

*"...We may, however, add that grant of any adjournment let alone first, second or third adjournment is not a right of a party. The grant of adjournment by a court has to be on a party showing special and extraordinary circumstances. It cannot be in routine. While*

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<sup>14</sup> Order XVII, Rule 1 *inter alia* states that the Court may, if sufficient cause is shown, at any stage of the suit, may adjourn the hearing for reasons to be recorded in writing provided that such adjournment shall not be granted more than three times to a party. Further, the proviso to the Rule *inter alia* states that no adjournment shall be granted at the request of a party, except where the circumstances are beyond the control of that party.

*considering prayer for grant of adjournment, it is necessary to keep in mind the legislative intent to restrict grant of adjournments.”*

Further, in the case of Ishwarlal Mali Rathod vs. Gopal and Ors., 2021 INSC 502, decision dated September 20, 2021, Hon’ble SC had held that:

*“.....Many a times, the task of adjournments is used to kill Justice. Repeated adjournments break the back of the litigants. The courts are enjoying upon to perform their duties with the object of strengthening the confidence of common man in the institution entrusted with the administration of the justice. Any effort which weakens the system and shake the faith of the common man in the justice dispensation has to be discouraged. Therefore the courts shall not grant the adjournments in routine manner and mechanically and shall not be a party to cause for delay in dispensing the justice. The courts have to be diligence and take timely action in order to usher in efficient justice dispensation system and maintain faith in Rule of law. We are also aware that whenever the trial courts refused to grant unnecessary adjournments many a times they are Accused of being strict and they may face displeasure of the Bar. However, the judicial officers shall not worry about that if his conscience is clear and the judicial officer has to bear in mind his duties to the litigants who are before the courts and who have come for justice and for whom Courts are meant and all efforts shall be made by the courts to provide timely justice to the litigants..... Time has now come to change the work culture and get out of the adjournment culture so that confidence and trust put by the litigants in the Justice delivery system is not shaken and Rule of Law is maintained.”*

*(emphasis supplied)*

31. Thus, in absence of any cogent justification for the delayed request for cross-examination and thereafter not confirming attendance for the cross-examination proceedings, and seeking additional time under the garb of appointing a new lawyer, the acts must be seen as very likely a deliberate attempt to take advantage of the procedural safeguards available to Noticee 2 and cannot be rewarded with further indulgence. Hence, taking into account the overall conduct of Noticee 2, the cross-examination *qua* him was considered closed. In any case, as noted earlier in this Order, the statement of Ms. Sangeeta Amin and Ms. Priya Naik had no bearing or reference to Noticee 2. The opportunity to cross-examine was made available to Noticee 2 incidentally, as Ms. Sangeeta Amin and Ms. Priya Naik were requested to be present pursuant to the cross-examination request made

by Noticee 1 (Mr. Kapil Wadhawan). Due to the aforesaid reasons, no prejudice can be said to be caused to Noticee 2 by denying the opportunity of cross-examination.

**Issue VI:** Whether SEBI ought to have permitted Noticee 6 to conduct cross-examination of Mr. Pankaj Rana?

32. Noticee 6 in his email dated January 05, 2024, has submitted that Mr. Pankaj Rana in his statement recorded by KMPG in its report has made certain false statements, for which Noticee 6 has requested SEBI to give him an opportunity to cross-examine Mr. Pankaj Rana.

33. In this regard, I note that in the statement to KMPG, Mr. Pankaj Rana has submitted:

*“Mr.Pankaj Rana confirmed that Mr.J N Shah, Mr. Harshil Mehta and most of the top people in DHFL were aware of these Bandra Book portfolio and its disbursement being made to promoter entities”*

*“...Mr.Santosh Sharma advised Mr.Pankaj Rana to not give the information / date in reference to UBI 4098 bank account to KMPG”*

34. Now, one can argue that “most of the top people in DHFL” includes Noticee 6, who was the CFO. However, since the statement of Mr. Pankaj Rana was recorded by KPMG and CBI, and not by SEBI, and further, it was not relied upon while issuing the SCN, at this stage also, the said statement is not being relied upon.

## **PART II: ISSUES ON MERITS**

**Issue I:** Whether DHFL had siphoned off funds to Promoter related and/ or connected entities and misrepresented its financial statements?

### **What was the “Bandra Branch” and What are “Bandra Book Entities (BBEs)”**

35. As recorded in the Interim Order (*inter alia based on the Transaction Audit Report*), DHFL had created a ‘logical partition’ in the Enterprise Resource Planning (ERP) Software used

for bookkeeping and loan management purposes. This 'logical partition' stored data pertaining to only one branch – Bandra, which was a virtual branch. The report notes that this appears to be a parallel set of books of accounts maintained by the Company and all the loan accounts present in this module appear to be non-genuine. These accounts have been collectively called as 'Bandra Books' in the Report of the Transaction Auditor. The existence of a branch called the Bandra branch, first as a real (brick and mortar) one has been testified to by both Mr. Satish Kotian (Former Senior VP- IT, DHFL) and Ms Sangeeta Amin (Former AVP, Accounts, DHFL) in their statements recorded by SEBI during the course of investigation. As noted earlier, both these persons were also cross examined by the AR of Noticee 1 – Kapil Wadhawan. Ms. Sangeeta Amin has *inter alia* stated that the "Bandra branch" used to exist physically as a separate branch office in the corporate premises of DHFL. Similarly, Satish Kotian has stated on oath that the Bandra branch became a 'virtual branch' from around 2006 / 2007 onwards and that the code of this branch was later used to maintain data of the branch being maintained in the logical partition (*discussed in detail in the subsequent paragraphs*).

36. From the Transaction Audit Report (TAR) and the statements of witnesses, I note that since the code of the erstwhile "Bandra branch" of DHFL was used to maintain data with respect to certain other branch / loans, such loans came to be known as "Bandra book loans" and the entities to which such loans were disbursed came to be known as "Bandra Book Entities (BBEs)". SEBI's investigation has concluded that there are 87 unique BBEs. The SCN alleges that during the FY 2007-08 to FY 2018-19, DHFL had disbursed INR 11,309.12 crores of unsecured loans to the 87 BBEs. During the same period, INR 8,610.45 crores were collected from these aforementioned BBEs. It is further alleged that DHFL had shown fictitious interest income of INR 10,853.68 crores in its P&L, which was never received. Thus, the alleged diversion relates to not only principal repayment loss but also loss of realisable interest income.

### **Whether BBE's were connected to the Promoters of DHFL**

37. Based on the MCA records, information gathered from employees of Wadhawan Group<sup>15</sup>, submissions of Ms. Pooja Wadhawan and internal emails gathered during course of investigation<sup>16</sup>, I find that all 87 BBEs were connected/ related to each other as well as connected to the Promoter/Promoter group of DHFL as elaborated in **Tables 3 and 4** below:

**Table 3: Summary of connection of BBEs with Promoters of DHFL**

Type	Basis of Connection with Promoter	No. of BBEs	Comments
I	Common address with Promoter/Promoter Group Companies	30	a. From MCA records, it is observed that the registered address of 30 BBEs to which INR 3,973.52 crores have been disbursed by DHFL, are either same as that of the Promoter group company "Wadhawan Holding Private Limited" or Promoters of DHFL or with the companies in which Promoters of DHFL were directors. As per the TAR, the addresses mentioned of multiple BBEs is different from the current registered address in MCA records. It is noted that address of many of these companies have changed post FY 2016-17.
II	Employee of DHFL or companies related/ connected to Promoters are/ were directors in these companies	82	b. From the email of DHFL dated January 17, 2022 and submissions of Mr. Vijay Tambe, employee in the secretarial team of DHFL, vide email dated September 30, 2022, it is observed that 9 employees of DHFL were directors in 48 of the 87 BBEs.  During investigation, an email dated April 28, 2010 was discovered of Mr. Anil Norohna, Executive Vice President, Human Resources, Wadhawan Holdings Pvt. Ltd (designated as Group HR in the email attachment) to Noticee 1 (designated as Chairman, Wadhawan Group), discussing about salary increase of employees of Wadhawan Group. In the email, a list of employees of RKW Developers Pvt. Ltd. (a company in which Noticee 2 is a Promoter and Whole Time Director) and 6 companies of Wadhawan Group has been attached.  It is noted that:

<sup>15</sup> (i) Email submitted by Mr. Vijay Tambe dated September 30, 2022; (ii) Statement of Mr. Ashwin Kumar Chaturvedi recorded before Investigating Authority SEBI dated August 24, 2022; (iii) Statement of Mr. Bhagwat Swarup Sharma before Investigating Authority SEBI dated August 03, 2022; (iv) Statement of Mr. Placid Jacob Naronha before Investigating Authority SEBI dated August 02, 2022; (v) Statement of Mr. Sanket Hemant Pawaskar before Investigating Authority SEBI dated August 03, 2022; (vi) Statement of Mr. Sonpal Jain before Investigating Authority SEBI dated October 13, 2022; (vii) Email of Mr. Amit Sawhney dated September 26, 2022.

<sup>16</sup> Email dated April 28, 2010 sent by Mr. Anil Norohna, Executive Vice President, Human Resources, Wadhawan Holdings Pvt. Ltd (designated as Group HR in the email attachment) to Noticee 1.

Type	Basis of Connection with Promoter	No. of BBEs	Comments
			<p>i. 7 employees of RKW Developers Pvt. Ltd. were directors in 80 BBEs.</p> <p>3 employees of companies belonging to Promoters namely Wadhawan Realty Pvt. Ltd, Wadhawan Holding Pvt. Ltd. and Wadhawan Sports Pvt. Ltd. were directors in 22 BBEs.</p> <p>(Note: 82/87 BBEs had one employee or the other of DHFL / company related / connected to promoters as director. The remaining 5 BBEs which are either connected through the same address or are connected to other BBEs by way of common directors are:</p> <ol style="list-style-type: none"> <li>1. Pawansut Dwellers Private Limited to which INR 184 crores was disbursed and INR 30.64 crores collected;</li> <li>2. Skylark Buildcon Pvt. Ltd. to which INR 210 crores was disbursed and INR 364.75 crores collected;</li> <li>3. Sahana Construction Private Limited. to which INR 71.80 crores was disbursed and INR 13.89 crores collected;</li> <li>4. Sahana Dwellers Private Limited. to which INR 102 crores was disbursed and INR 21.11 crores collected;</li> <li>5. Sigtia Constructions Private Limited to which INR 407.59 crores was disbursed and no amount was collected)</li> </ol>
III	Promoters or entities related/ connected to the Promoters are/ were directors	49	On examination of MCA records and submissions of Ms. Pooja Wadhawan dated September 23, 2022 and employees of Wadhawan Group, it is observed that in 49 BBEs, the Promoters of DHFL or Relatives of the Promoters are/ were directors.
IV	Amalgamated into companies connected to Promoters of DHFL as on January 27, 2023	27	<p>From the MCA records, it is observed that in FY 2019-20, 21 BBEs have amalgamated into "Township Developers Private Limited", 4 BBEs have amalgamated into "Shishir Realty Private Limited" and 2 BBEs have amalgamated into one of the BBE namely "Sunblink Real Estate Private Ltd." A total of INR 4,890.78 crores were disbursed to these entities before amalgamation.</p> <p>Further from the MCA records, it is observed that Noticee 1 and Noticee 2, have been past directors in Township Developers Private Limited and Shishir Realty Private Limited. Mr. Placid Jacob Naronha, Director of Township Developers Pvt. Ltd. ("<b>TDPL</b>"), in his submissions to SEBI dated December 01, 2021, stated that he was in employment at RKW Developers Private Limited since March 2010. He has further, stated that, he was made director in TDPL by his promoter and all affairs of TDPL were managed by Noticee 2.</p>

## Table 4: Connection of BBEs with Promoters of DHFL

### Legend:

AS: Amit Sawhney: Employee of RKW Developers Pvt. Ltd. <sup>17</sup>

BM: Balvinder Malhotra: Employee of RKW Developers Pvt. Ltd.<sup>18</sup>

DW: Dheeraj Wadhawan (Noticee 2)

GC: Gitesh Chawla: Employee of RKW Developers Pvt. Ltd. <sup>19</sup>

HS: Hetin Sakhuja<sup>20</sup>

KW: Kapil Wadhawan (Noticee 1)

Placid: Employee of RKW Developers Pvt. Ltd.<sup>21</sup>

RW: Rakesh Wadhawan (Noticee 3)

SB: Sunil Bangera: Employee of RKW Developers Pvt. Ltd.<sup>22</sup>

SS: Sayali Shirolkar: Employee of RKW Developers Pvt. Ltd.<sup>23</sup>

SW: Sarang Wadhawan (Noticee 4)

SSB: Sunny Suresh Bathija: Relative of Promoter<sup>24</sup>

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<sup>17</sup> As per Annexure 21 to SCN, Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were subscribers to Memorandum of Association of Association of RKW Developers Pvt. Ltd. holding 5,000 shares each. As of March 31, 2018, Noticee 1 and 2 are holding 14,925 shares each. Further, Aruna Wadhawan (mother of Noticees 1 and 2) is holding 14,925 shares. Wadhawan Holdings Pvt. Ltd. is holding 1,57,355 shares. Infill Retail Ventures Pvt. Ltd. (formerly Wadhawan Retail Ventures Pvt. Ltd.) and Dheeraj Township Developers Pvt. Ltd. are holding 1,56,000 shares each. Thus, RKW Developers Pvt. Ltd. is controlled by Promoter / Promoter group. As per Annexure 15D to SCN, vide email dated April 28, 2010, an excel sheet was sent by Mr. Anil Noronha to Mr. Kapil Wadhawan (Noticee 1) to increase the salary of employees ("**Email dated April 28**"). The attached excel sheet titled "RKWD Annual Increase - All 2010-11 (Final)" includes name of Mr. Amit Sawhney as VP Sales with employee code "RKWD-00063".

<sup>18</sup> The attachment to Email dated April 28, 2010 includes name of Mr. Balvinder Malhotra as Senior Manager Sales with employee code "RKWD-00004".

<sup>19</sup> The attachment to Email dated April 28, 2010 includes name of Mr. Gitesh Chawla as VP Sales with employee code "RKWD-00064"

<sup>20</sup> Mr. Hetin Sakhuja has been identified as the cousin of Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) by CBI in the [bail order](#) dated March 13, 2023. Further, as per RHP of HDIL dated June 18, 2007, Mr. Hetin Sakhuja was director and / or shareholder in companies forming part of the Wadhawan Group such as Dinshaw Trapinex Builders Private Limited (DTBPL), Interactive Multimedia Technologies Private Limited (IMTPL) and Dheeraj Consultancy Private Limited (DCPL).

<sup>21</sup> Statement of Mr.Placid Naronha recorded before Investigating Authority, SEBI dated August 02, 2022.

<sup>22</sup> The attachment to Email dated April 28, 2010 includes name of Mr. Sunil Bangera as VP Sales with employee code "RKWD-00059".

<sup>23</sup> The attachment to Email dated April 28, 2010 includes name of Ms. Sayali Shirolkar as Manager- Finance & Accounts with employee code "RKWD-00007".

<sup>24</sup> Mr. Sunny Suresh Bathija is the brother-in-law of Mr. Dheeraj Wadhawan (Noticee 2) as per his own admission in the bail application filed before Hon'ble Delhi HC - <https://indiankanoon.org/doc/23346001/?type=print>

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promoter group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promoters or Relatives of Promoters are / were directors	Amalgamated into Promoter Company
			I	II	III	IV
1	Aahna Infracon Private Limited	125.00		<input type="checkbox"/> BM	<input type="checkbox"/> SSB	
2	Able Realty Private Limited	154.36		<input type="checkbox"/> GC, SB		
3	Agrani Education Consultants Private Limited	145.48		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with Township Developers India Ltd. ("TDIL") <sup>25</sup>
4	Aqua Realty Private Limited	198.83		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
5	Bodhisatva Relators Private Limited	154.78	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai.  Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were past directors in Canary Hospitality Pvt. Ltd. where this company is also situated.	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
6	Canary Hospitality Private Limited	50.00	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> GC, SS, SB	<input type="checkbox"/> KW, DW	
7	Coral INN Private Limited	101.45	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> GC	<input type="checkbox"/> KW, DW	
8	Creatoz Builder Private Limited	50.60		<input type="checkbox"/> BM, Placid	<input type="checkbox"/> HS	
9	Daffodil Realtors Private Limited	151.16	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
10	Dallas Traders and Developers Private Limited	250.00		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL

<sup>25</sup> Amalgamated vide order dated November 29, 2019. The rationale for amalgamation is stated as follows: "Transferor Companies are wholly-owned subsidiary companies of the Transferee Company. In order to consolidate and effectively manage Transferor Companies and the Transferee Company in a single entity, which will provide several benefits including synergy, economies of scale...it is intended that Transferor Companies be amalgamated with Transferee Company...". Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were past directors in TDIL. Further, TDIL had the same address as Wadhawan Holding Pvt. Ltd., a Promoter group company.

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promoter group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promoters or Relatives of Promoters are / were directors	Amalgamated into Promoter Company
			I	II	III	IV
11	Darshan Developers Private Limited	598.08	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai.  The address is same as that of Wadhawan Consolidated Holding Pvt. Ltd., a Promoter group company.	<input type="checkbox"/> Placid		
12	Duke Realtors Private Limited	140.00	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai	<input type="checkbox"/> AS, GC, SB, Placid	<input type="checkbox"/> SSB	
13	Earnet Homes Private Limited	180.43		<input type="checkbox"/> GC, SB		<input type="checkbox"/>
14	Elated Developers Private Limited	100.00		<input type="checkbox"/> AS, BM	<input type="checkbox"/> HS, SSB	
15	Emblem Realtors Private Limited	124.92		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
16	Emergence Realtors Private Limited	110.57		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
17	Entity Realtors Private Limited	189.15	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM	<input type="checkbox"/> HS	
18	Escalate Realtors Private Limited	99.00		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
19	Euphoria Realty Private Limited	92.35		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
20	Faith Realtors Private Limited	460.66		<input type="checkbox"/> BM	<input type="checkbox"/> HS	<input type="checkbox"/> Amalgamated with Sunblink Real Estate Pvt. Ltd. <sup>26</sup> ("SREPL")
21	Flyhigh Relators Private Limited	75.51		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	
22	Frontline Landmark Private Limited	76.83		<input type="checkbox"/> GC, SB		
23	Glowster Properties Private Limited	226.16		<input type="checkbox"/> BM	<input type="checkbox"/> SSB	<input type="checkbox"/>

<sup>26</sup> Amalgamated vide order dated July 23, 2019. The rationale for amalgamation is stated as follows: "Transferor Companies are wholly-owned subsidiary companies of the Transferee Company. In order to consolidate and effectively manage Transferor Companies and the Transferee Company in a single entity, which will provide several benefits including synergy, economies of scale...it is intended that Transferor Companies be amalgamated with Transferee Company...". Mr. Sunny Suresh Bathija was a director and majority shareholder of SREPL as on March 31, 2018.

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promoter group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promoters or Relatives of Promoters are / were directors	Amalgamated into Promoter Company
			I	II	III	IV
						Amalgamated with TDIL
24	Goal Realtors Private Limited	73.75		<input type="checkbox"/> AS, BM	<input type="checkbox"/> SSB	
25	Grand Realty India Private Limited	178.9	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
26	Greentown Realtors Private Limited	2.72	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai	<input type="checkbox"/> AS, BM, Placid	<input type="checkbox"/> SSB, SW, RW	
27	Grow More Events Promotions Private Limited	50.00		<input type="checkbox"/> SB		
28	Guardex Relators Private Limited	132.21		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with TDIL
29	Hireward Finco Private Limited	124.10		<input type="checkbox"/> SB		<input type="checkbox"/> Amalgamated with Shishir Realty Pvt. Ltd. ("Shishir Realty") <sup>27</sup>
30	Knack Realtors Private Limited	112.90		<input type="checkbox"/> BM	<input type="checkbox"/> HS	
31	Lookout Realty Private Limited	620.64		<input type="checkbox"/> AS, BM	<input type="checkbox"/> SSB	<input type="checkbox"/> Amalgamated with TDIL
32	Luxuria Realtors Private Limited	82.75		<input type="checkbox"/> BM	<input type="checkbox"/> HS	
33	Makshi Real Estate Developers Private Limited	63.00		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	<input type="checkbox"/> Amalgamated with TDIL
34	Marari Hospitality Private Limited	72.62	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> GC, SB		
35	Marker Infracon Private Limited	86.04		<input type="checkbox"/> BM, GC, SB		
36	Marvel Township Developers Private Limited	406.22		<input type="checkbox"/> GC, SB		<input type="checkbox"/> Amalgamated with Sunblink
37	Master Realtors Private Limited	112.85	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
38	Matrix Realtors Private Limited	75.42	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
39	Maxima Agrotrade Private Limited	150.01	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

<sup>27</sup> Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan were past directors in Shishir Realty. Further, address of Shishir Realty is same as Wadhawan Holding Pvt. Ltd., a Promoter group company.

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promoter group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promoters or Relatives of Promoters are / were directors	Amalgamated into Promoter Company
			I	II	III	IV
			Anthony Street, Vakola Church, Santacruz (East), Mumbai	BM, SS	HS	
40	Mercury Realty Private Limited	152.25	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai	<input type="checkbox"/> Placid	<input type="checkbox"/> KW, DW	
41	Microgate Trading Cooperative Private Limited	35.79	<input type="checkbox"/> Dheeraj Apartment, Jogeshwari (East), Mumbai  Based on UCC data, it is identified that this address is that of the Promoters of DHFL - Mr. Kapil Wadhawan, Dheeraj Wadhawan, Malti Wadhawan, Rakesh Wadhawan, Sarang Wadhawan, Anu Wadhawan and Aruna Wadhawan.	<input type="checkbox"/> Balakrishna Madhur, Krishnakumar Ponniah (Employees of DHFL)	<input type="checkbox"/> RW, SW	
42	Mind Share Promotions and Events Private Limited	79.20		<input type="checkbox"/> BM, SS		
43	Nurture Realtors Private Limited	63.11		<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
44	Obedience Infracon Private Limited	33.25		<input type="checkbox"/> AS, BM	<input type="checkbox"/> SSB	
45	Outlook Landmark Private Limited	156.5		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	<input type="checkbox"/> Amalgamated with TDIL
46	Panorama Landmark Private Limited	133.49		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	<input type="checkbox"/> Amalgamated with TDIL
47	Pawansut Dwellers Private Limited	184.00	<input type="checkbox"/> Anant Marg, Bandra East, Mumbai  Based on the UCC data received from BSE Ltd., it is noted that this address belongs to Wadhawan Holding Pvt. Ltd., a Promoter company.			
48	Poseidon Realty Private Limited	208.98		<input type="checkbox"/> GC, SB		
49	Proficient Real Estate Developers Private Limited	186.51	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	
50	Proper Buildcon Private Limited	43.00		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	
51	Quality Realty Private Limited	0.40		<input type="checkbox"/>		

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promote r group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promot ers or Relative s of Promot ers are / were director s	Amalgamated into Promoter Company
			I	II	III	IV
				GC, SS, SB		
52	Queentown Project Private Limited	55.00		GC, SB		
53	Ragini Real Estate Developers Private Limited	61.63		AS	SSB	
54	Random Realtors Private Limited	221.32		GC, SB		
55	Rendition Realtors Private Limited	95.00		GC, SB		Amalgamated with TDIL
56	Revolution Realty Private Limited	173.74		AS, BM	SSB	Amalgamated with Shishir Realty
57	Rooftop Infraprojects Private Limited	140.75	Anthony Street, Vakola Church, Santacruz (East), Mumbai	BM, SS	HS	
58	Sahana Construction Private Limited	71.80	Anant Marg, Bandra East, Mumbai			
59	Sahana Dwellers Private Limited	102.00	Anant Marg, Bandra East, Mumbai			
60	Scarlet Realtors Private Limited	216.32	Anthony Street, Vakola Church, Santacruz (East), Mumbai	BM, SS	HS	
61	Scarlette Trading & Services Private Limited	0.80	Anthony Street, Vakola Church, Santacruz (East), Mumbai	BM, SS	HS	
62	Shreesay Realtors Private Limited	155.50		AS	SSB	
63	Sigtia Constructions Private Limited	407.59	HDIL Towers, Bandra East, Mumbai			
64	Silicon First Realtor Private Limited	22.50	Anthony Street, Vakola Church, Santacruz (East), Mumbai	GC, SB		
65	Silver Birch Hospitality Private Limited	60.00	HDIL Towers, Bandra East, Mumbai	Placid	KW, DW	
66	Skill Realtors Private Limited	128.52		BM, GC, SB		Amalgamated with Shishir Realty
67	Solitaire Realtech Private Limited	210.88		BM, SS	HS	Amalgamated with TDIL
68	Spectacular Buildcon Private Limited	93.68				

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promote r group entity	Employee of DHFL/RKW Developers/Wad hawan Holding are / were directors	Promot ers or Relative s of Promot ers are / were director s	Amalgamated into Promoter Company
			I	II	III	IV
				BM, GC, SB		Amalgamated with TDIL
69	Starlight Hospitality Private Limited	155.00		<input type="checkbox"/> Placid	<input type="checkbox"/> KW, DW	
70	Stronghold Realty Private Limited	226.48		<input type="checkbox"/> BM, GC, SB		<input type="checkbox"/> Amalgamated with TDIL
71	Stunner Merchandising Private Limited	96.10		<input type="checkbox"/> SB		<input type="checkbox"/> Amalgamated with TDIL
72	Sunblink Real Estate Private Limited	57.52		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	
73	Teknopoint Trading Company Private Limited	36.08	<input type="checkbox"/> Dheeraj Apartment, Jogeshwari (East), Mumbai	<input type="checkbox"/> Balakrishna Madhur, Krishnakumar Ponniah (Employees of DHFL)	<input type="checkbox"/>	
74	Ultra Space Developers Private Limited	50.00	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai	<input type="checkbox"/> Placid, SB	<input type="checkbox"/> KW, DW, SSB	
75	Ultratech Project Management Service Private Limited	58.32		<input type="checkbox"/> BM, SS	<input type="checkbox"/> HS	<input type="checkbox"/> Amalgamated with Shishir Realty
76	Uniworth Real Estate Developers Private Limited	159.00		<input type="checkbox"/> AS, BM	<input type="checkbox"/> SSB	
77	Vaastu Puja Realty Private Limited	155.10		<input type="checkbox"/> BM, GC, SB		<input type="checkbox"/> Amalgamated with TDIL
78	Valencia Builders Private Limited	17.42		<input type="checkbox"/> BM, GC, SB		
79	Valencia Developers Private Limited	48.01		<input type="checkbox"/> BM, GC, SB		
80	Varah Realty Private Limited	110.00		<input type="checkbox"/> BM	<input type="checkbox"/> HS	
81	Victor Infratech Private Limited	130.52	<input type="checkbox"/> Anthony Street, Vakola Church, Santacruz (East), Mumbai	<input type="checkbox"/> AS, BM, SS	<input type="checkbox"/> SSB	
82	Virtuous Buildcon Private Limited	25.00		<input type="checkbox"/> AS	<input type="checkbox"/> SSB	
83	Vista Landmark Private Limited	128.41		<input type="checkbox"/> AS, BM, GC, SB		<input type="checkbox"/> Amalgamated with TDIL
84	Wadhawan Retail Venture Private Limited (WRVPL)	44.46	<input type="checkbox"/> HDIL Towers, Bandra East, Mumbai	<input type="checkbox"/> Sanket Pawaskar, Employee of RKW Developers Pvt. Ltd.	<input type="checkbox"/> KW, DW	
85	Westwing Developers Private Limited	55.02		<input type="checkbox"/> GC, SB		
86	White Lion Real Estate Developers Private Limited	93.55		<input type="checkbox"/> AS, BM	<input type="checkbox"/> SSB	
87	Skylark Buildcon Private Limited #	210.00				

#	Name of Entity	Amount disburse d (INR in crores)	Connected to Promoter/ Promoter Group			
			Common Address with Promoter/Promote r group entity	Employee of DHFL/RKW Developers/Wadhawan Holding are / were directors	Promot ers or Relative s of Promot ers are / were director s	Amalgamated into Promoter Company
			I	II	III	IV
			29	82	49	27

# Skylark Buildcon Pvt. Ltd is not connected to Promoters in any of the four ways described above. However, from the MCA records, it is noted that it is connected to another BBE (namely Sahana Dwellers Pvt. Ltd.) by way of common directors.

### **Whether some BBEs were controlled by Promoters**

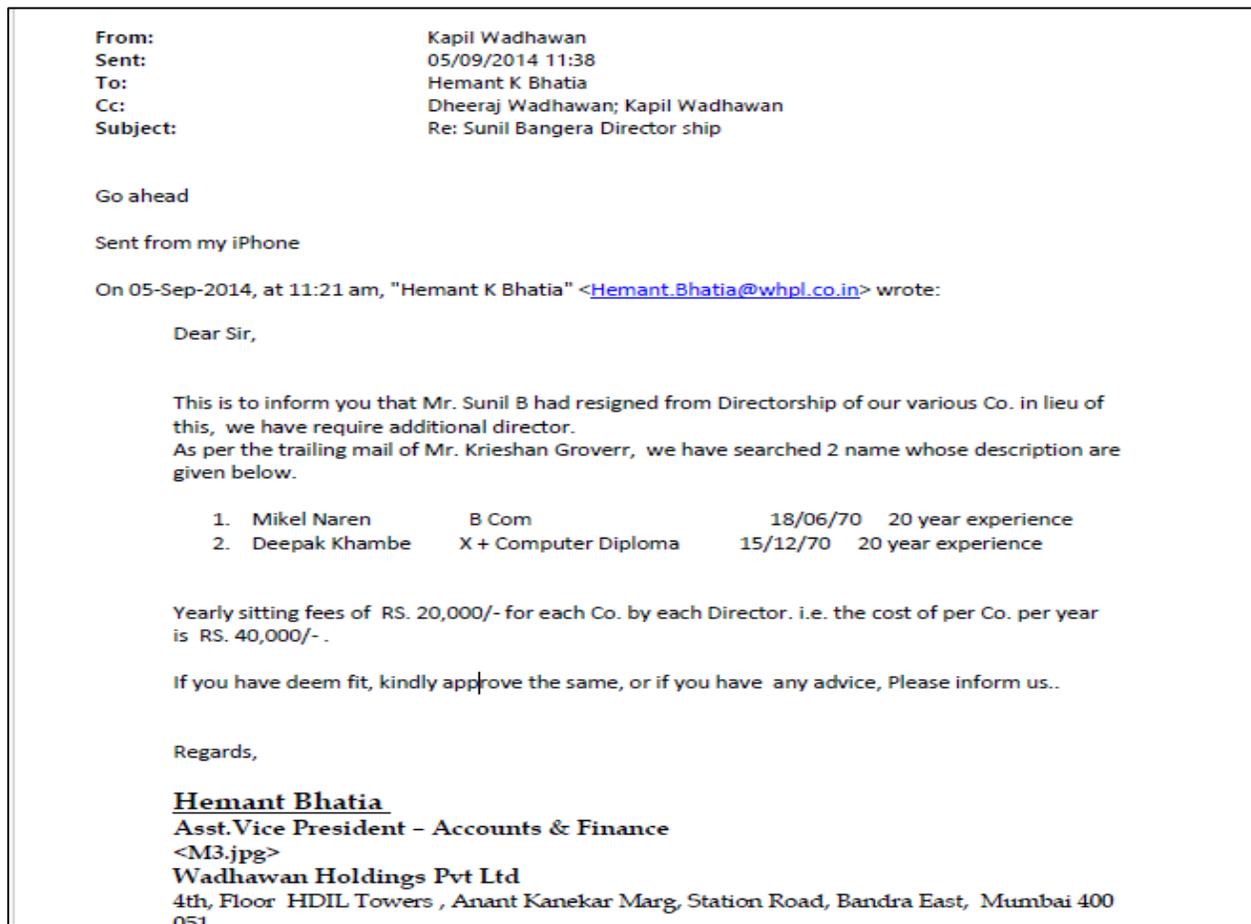
38. I note that as part of the investigation, emails exchanged between the promoter directors and key management or amongst key management and auditor, were examined. This examination revealed several instances where the appointment of directors on the boards of privately held BBEs, remuneration for such directors, appointment of auditors of BBEs etc. were discussed with the promoters of DHFL, and their approvals, has been sought. Such emails points to the strong probability that the Wadhawans controlled the BBEs. Some of such emails are listed and discussed below:

#### **Emails discussing appointment of directors on BBEs:**

- June 04, 2014 sent by one Mr. Krieshan Groverr (*earlier CFO of Wadhawan Holdings Pvt. Ltd. and later part of Wadhawan Group*) to Mr. Kapil Wadhawan seeks advice of Mr. Kapil Wadhawan on additional names of officials who can be appointed as directors in various companies in order to comply with section 165 of Companies Act, 2013 which puts restriction on no. of directorship of individuals. He has attached two lists of companies wherein Mr. Kapil, Mr. Dheeraj Wadhawan and some employees are directors. The list attached includes around 71 BBEs. The aforesaid email was forwarded by Mr. Kapil Wadhawan to Mr. Dheeraj Wadhawan on June 07, 2014.
- Email dated September 05, 2014 and trail emails, Mr. Hemant Bhatia is informing Mr. Kapil Wadhawan (Noticee 1) with Mr. Dheeraj Wadhawan (Noticee 2) in CC, that one Mr. Sunil B (who was a director in 34 BBEs till December 10, 2014) has resigned from directorship of few companies. In replacement of Mr. Sunil B, in the said email, Mr.

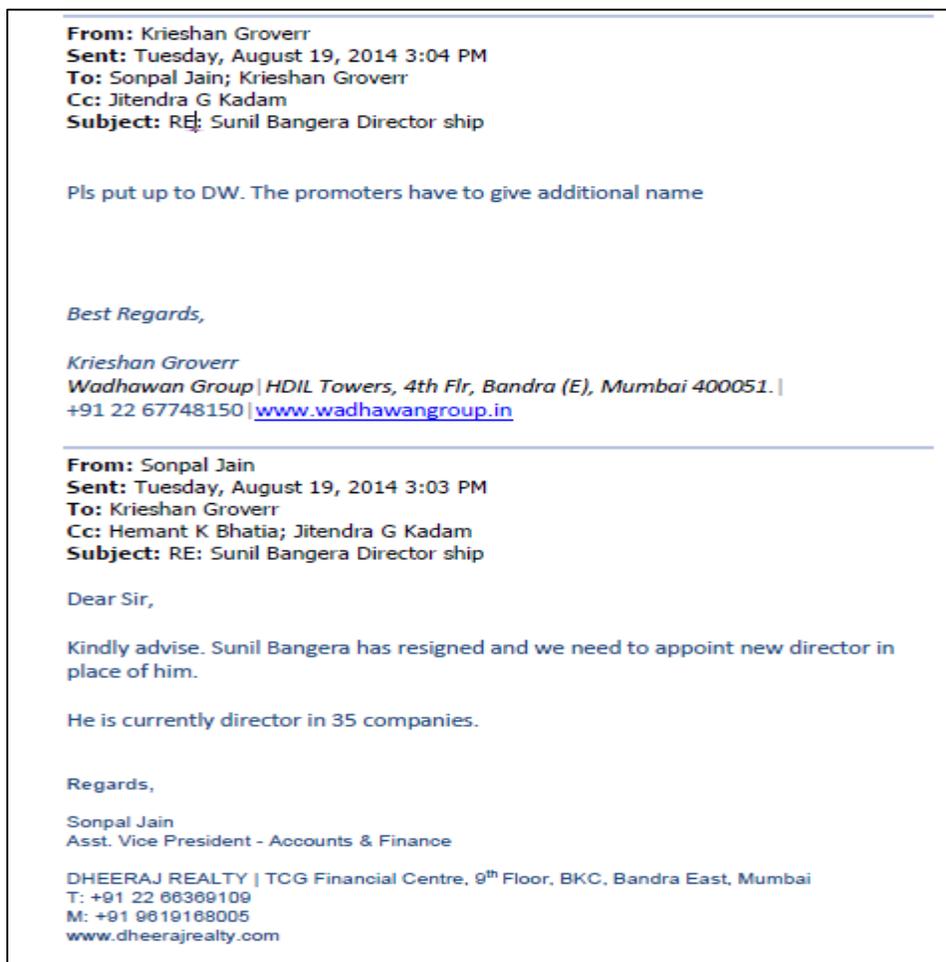
Hemant Bhatia has suggested two names and the sitting fees to be paid to them (Image 1).

**Image 1: Email dated September 05, 2014 sent to Noticee 1 regarding resignation of directors**



In one of the trail emails dated August 19, 2014, in response to Mr. Sonpal Jain asking for guidance regarding replacement of Mr. Sunil Bangera, Krieshan Groverr, has responded “Pls put up to DW. The promoters have to give additional name” (Image 2)

## Image 2: Email dated August 19, 2014, and trail emails



### Emails discussing finances/remuneration:

- Emails dated October 07, 2011 and October 08, 2011- exchanged between Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan and Mr. Kreishan Groverr—to discuss fund allocation to Wadhawan Holding Pvt. Ltd. and RKW Developers Pvt. Ltd., both of which are promoter group entities (but not regarded as BBEs). In the said emails, Mr. Kapil Wadhawan has sought break-up of the professional fees paid to employees who are also directors in multiple BBEs. In email dated October 08, 2011, Mr. Kreishan Grover has written to Mr. Kapil Wadhawan that "*some of these we are using them as director in few companies*". (Emphasis supplied)
- Emails dated February 25, 2013, March 01, 2013, March 11, 2013, April 25, 2013, April 29, 2013, July 01, 2013, July 04, 2013, July 05, 2013, and July 06, 2013, discusses resignation of Mr. Gitesh Sundar Chawla, who is a director in multiple

promoter companies (including BBEs). The discussion in the email is to find replacement of Mr. Gitesh Sundar Chawla from the other employees to appoint them as director in these companies. Mr. Kreishan Grover is seeking advice of Mr. Kapil & Dheeraj Wadhawan and is providing names of new employees or entities who can be made director in the companies. Further, emails also mention names of other directors including Mr. Sunny Bhatija (director in 21 BBEs), Placid Naronha (director in 7 BBEs), Amit Sawney (director in 25 BBEs), Mehul Anil Bavishi (director in 37 BBEs), Krishna Gangaram Ambekar (director in 35 BBEs), etc. The trail email dated March 01, 2013, discusses an employee who is becoming director asking for payment of sitting fees INR 4000 per quarter per company and there is discussion about existing directors not signing papers easily. Further, in the email dated July 04, 2013, it is also mentioned that the full & final settlement of one Mr. Vijay Tawde, employee of DHFL may not be released as it will be difficult to keep track of him and comply with statutory requirements as he is director in many companies.

- Emails dated October 13, 2014 and October 14, 2014 exchanged between Mr. Krieshan Grover, Mr. Kapil Wadhawan and Mr. B.M. Chaturvedi (statutory auditor of DHFL) a policy for payment of remuneration to persons who are made directors in group and associate companies is being discussed. One of the emails dated October 13, 2014 sent by Mr. Krieshan Grover to Mr. Amit Pathak (*Associate – Finance & Accounts, Wadhawan Holdings Pvt. Ltd.*) and Mr. Sachin Pathak (*Employee – Wadhawan Holdings Pvt. Ltd.*), reads as:

*“Dear Amit/Sachin,*

*MD has again send a communication w.r.t your appointment as Director in various companies, as required. He was appraised of yours reservations on the subject but he has again directed both of you to give your consent as Director.*

*Therefore you are advised to please complete the formalities w.r.t same with secretarial department.*

*Kadam : Kindly expedite the process.”*

*(Emphasis supplied, indicating the level of control being exercised not just on the appointment of directors, but also over the directors).*

Emails discussing appointment of Auditor:

- Email dated February 13, 2015 (Annexure 17 to the SCN) sent by Mr. Sonpal Jain (who was one of the key employees involved in disbursement of funds to BBEs), reads as follows:

*“Dear Sir,*

*TR Chadha & Co is auditor of total 15 companies of Real estate. They had discussion **with B.M. Chaturvedi** and Prashant and they suggested to not to do audit under T.R. Chadha & co name because they are auditor of DHFL.*

*Sir we need your advise on following points –*

*1. Audit under different company – They are suggesting to do audit under ASY & co. My reservation is that we do not have problem with ASY & co but they should reduce the fee. We had agreed for huge audit fee due to brand of TRC. I have spoken to them but they are not agreeing to reduce the fee.*

*2. We need to remove them as auditor from following companies whereas we have loan from finance company. We can appoint Lahoti Navnit & co as auditor because they are auditor for other such companies.*

*- Companies are – **Darshan Developer (Juhu Gali), Sigtia (Irla), Cloud Nine (Napha) and Sunblink (Haji Ali)***

*3. In one company – **Ultra space developers (Insignia)** – They are charging Rs 10 lakh audit fee. It is very high. Earlier Debentures were listed that’s why we were paying them huge fee. If we replace them with Lahoti Navnit & co, we can save around Rs 7.50 lakh.*

*Kindly advise.*

*(emphasis supplied)*

To the above, Mr. Kapil Wadhawan has replied:

*“Go ahead and replace them. I want them to be engaged only with dhfl audit and any special assignment that we give them”*

39. It can be seen in the email, names of certain BBEs, namely, Ultraspace Developers Pvt. Ltd., Sunblink Real Estate Pvt. Ltd., Darshan Developers Pvt. Ltd. and Sigtia Constructions Pvt. Ltd. are mentioned. The text of email also shows that, Mr. B. M

Chaturvedi, erstwhile statutory auditor of DHFL provided guidance in the selection of the auditors.

40. The term “control” is defined under the Companies Act, 2013 as follows:

*(27) “control” shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;*

Thus, “control” as provided under Companies Act, 2013 is defined in an inclusive form. Some of the parameters to be examined to find out if the entity has control are:

- Right to appoint majority of the directors; or
- Right to control the management; or
- Right to control the policy decision

As evident from the above definition of control, such rights can be exercisable by one person or by more than one person who are acting individually or in concert, directly or indirectly. The aforementioned right(s) can accrue to a person or group of persons in any of the following manner:

- Shareholding; or
- Management rights; or
- Shareholders agreements; or
- Voting agreements; or
- In any other manner.

The term “in any other manner’ shows that the ‘control’ may be exercised by a person or a group of persons in a manner beyond the above listed examples.

41. On “control” under the Companies Act, 2013, the Hon’ble Supreme Court in ArcelorMittal India Private Limited Vs. Satish Kumar Gupta and Ors., decision dated October 04, 2018 has held that:

*“The expression “control” is therefore defined in two parts. The first part refers to de jure control, which includes the right to appoint a majority of the directors of a company. The second part refers to de facto control. So long as a person or persons acting in concert, directly or indirectly, can positively influence, in any manner, management or policy decisions, they could be said to be “in control”. A management decision is a decision to be taken as to how the corporate body is to be run in its day to day affairs. A policy decision would be a decision that would be beyond running day to day affairs, i.e., long term decisions. So long as management or policy decisions can be, or are in fact, taken by virtue of shareholding, management rights, shareholders agreements, voting agreements or otherwise, control can be said to exist.”*

*(emphasis supplied)*

In view of the definition of “control” above, in this case, from the emails it can be seen that Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were appointing employees of companies connected / related to DHFL or its Promoters as directors in different BBEs and also appointing auditors in BBEs. The act of appointing directors and auditors of BBEs amounts to “de facto” control discussed in the above judgment as opposed to “de jure” control which is established through legal ownership or contractual rights. “De facto” control is inferred from the actual influence exerted in practice. Thus, hiding behind the veil of DHFL, Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were controlling the BBEs. Therefore, on a preponderance of probability, it can be concluded that during FY 2006-07 to FY 2018-19, the decisions taken by BBEs were influenced or directed by Noticees 1 and 2.

42. Based on the above and information available on record, the following table contains the list of BBE’s that can be regarded as **controlled** by the promoter group of DHFL along with the basis for this conclusion-

**Table 5: BBEs controlled by Promoter group of DHFL**

Sr. No.	Name of BBE	Control- Appointment of employees	Control – Appointment of auditor
1.	Lookout Realty Pvt. Ltd.	<input type="checkbox"/>	
2.	Darshan Developers Pvt. Ltd.	<input type="checkbox"/>	<input type="checkbox"/>
3.	Faith Realtors Pvt. Ltd.	<input type="checkbox"/>	
4.	Marvel Township Pvt. Ltd.	<input type="checkbox"/>	
5.	Dallas Traders & Developers Pvt. Ltd.	<input type="checkbox"/>	
6.	Stronghold Realty Pvt. Ltd.	<input type="checkbox"/>	
7.	Glowster Properties Pvt. Ltd	<input type="checkbox"/>	
8.	Random Realtors Pvt. Ltd.	<input type="checkbox"/>	

Sr. No.	Name of BBE	Control-Appointment of employees	Control – Appointment of auditor
9.	Scarlet Realtors Pvt. Ltd	<input type="checkbox"/>	
10.	Solitaire Realtech Pvt. Ltd	<input type="checkbox"/>	
11.	Rooftop Infraprojects Pvt. Ltd.	<input type="checkbox"/>	
12.	Poseidon Realty Pvt. Ltd.	<input type="checkbox"/>	
13.	Aqua Realty Pvt. Ltd.	<input type="checkbox"/>	
14.	Entity Realtors Pvt. Ltd.	<input type="checkbox"/>	
15.	Proficient Real Estate Developers Pvt Ltd.	<input type="checkbox"/>	
16.	Earnet Homes Pvt Ltd	<input type="checkbox"/>	
17.	Grand Realty India Pvt. Ltd	<input type="checkbox"/>	
18.	Revolution Realty Pvt Ltd	<input type="checkbox"/>	
19.	Uniworth Real Estate Dev. Pvt. Ltd	<input type="checkbox"/>	
20.	Outlook Landmark Pvt Ltd.	<input type="checkbox"/>	
21.	Shreesay Realtors Pvt. Ltd.	<input type="checkbox"/>	
22.	Vaastu Puja Realty Pvt Ltd.	<input type="checkbox"/>	
23.	Starlight Hospitality Pvt Ltd	<input type="checkbox"/>	
24.	Bodhisatva Realtors Pvt Ltd	<input type="checkbox"/>	
25.	Able Realty Pvt. Ltd.	<input type="checkbox"/>	
26.	Mercury Realty Pvt Ltd	<input type="checkbox"/>	
27.	Daffodils Realtors Pvt. Ltd.	<input type="checkbox"/>	
28.	Maxima Agrotrade Pvt Ltd	<input type="checkbox"/>	
29.	Agrani Education Consultants Pvt. Ltd	<input type="checkbox"/>	
30.	Duke Realtors Pvt. Ltd.	<input type="checkbox"/>	
31.	Panorama Landmark Pvt. Ltd.	<input type="checkbox"/>	
32.	Guardex Realtors Pvt. Ltd.	<input type="checkbox"/>	
33.	Victor Infratech Pvt. Ltd	<input type="checkbox"/>	
34.	Skill Realtors Pvt. Ltd.	<input type="checkbox"/>	
35.	Vista Landmark Pvt Ltd	<input type="checkbox"/>	
36.	Aahna Infracon Pvt. Ltd.(Aahna Mercantile Pvt. Ltd.)	<input type="checkbox"/>	
37.	Emblem Realtors Pvt. Ltd.	<input type="checkbox"/>	
38.	Hireward Finco Pvt. Ltd.	<input type="checkbox"/>	
39.	Knack Realtors Pvt Ltd.	<input type="checkbox"/>	
40.	Master Realtors Pvt Ltd	<input type="checkbox"/>	
41.	Emergence Realtors Pvt Ltd.	<input type="checkbox"/>	
42.	Varah Realty Pvt Ltd	<input type="checkbox"/>	
43.	Coral INN Pvt Ltd	<input type="checkbox"/>	
44.	Elated Developers Pvt. Ltd.	<input type="checkbox"/>	
45.	Escalate Realtors Pvt. Ltd.	<input type="checkbox"/>	
46.	Stunner Merchandising Pvt. Ltd.	<input type="checkbox"/>	
47.	Rendition Realtors Pvt. Ltd.	<input type="checkbox"/>	
48.	Spectacular Buildcon Pvt. Ltd.	<input type="checkbox"/>	
49.	White Lion Multitrade Pvt. Ltd	<input type="checkbox"/>	
50.	Euphoria Realty Pvt Ltd	<input type="checkbox"/>	
51.	Marker Infracon Pvt. Ltd	<input type="checkbox"/>	
52.	Luxuria Realtors Pvt. Ltd.	<input type="checkbox"/>	
53.	Mindshare Promotions & Events Pvt Ltd.	<input type="checkbox"/>	
54.	Frontline Landmark Pvt Ltd	<input type="checkbox"/>	
55.	Flyhigh Realtors Pvt. Ltd	<input type="checkbox"/>	
56.	Matrix Realtors Pvt Ltd	<input type="checkbox"/>	
57.	Goal Realtors Pvt Ltd	<input type="checkbox"/>	
58.	Marari Hospitality Pvt Ltd	<input type="checkbox"/>	
59.	Nurture Realtors Pvt Ltd	<input type="checkbox"/>	
60.	Makshi Real Est. Dev. Pvt. Ltd (Makshi Trad. P. Ltd)	<input type="checkbox"/>	
61.	Ragini Real Estate Developers Pvt. Ltd.	<input type="checkbox"/>	

Sr. No.	Name of BBE	Control-Appointment of employees	Control – Appointment of auditor
62.	Silver Birch Hospitality Pvt. Ltd.	<input type="checkbox"/>	
63.	Ultratech Project Management Service Pvt. Ltd	<input type="checkbox"/>	
64.	Sunblink Real Estate Pvt. Ltd.	<input type="checkbox"/>	<input type="checkbox"/>
65.	Westwing Developers Pvt. Ltd.	<input type="checkbox"/>	
66.	Queentown Projects Pvt. Ltd.	<input type="checkbox"/>	
67.	Creatoz Builders Pvt. Ltd	<input type="checkbox"/>	
68.	Canary Hospitality Pvt Ltd	<input type="checkbox"/>	
69.	Growmore Events & Promotions Pvt. Ltd.	<input type="checkbox"/>	
70.	Ultra Space Dev. Pvt. Ltd	<input type="checkbox"/>	<input type="checkbox"/>
71.	Valencia Developers Pvt. Ltd.	<input type="checkbox"/>	
72.	Wadhawan Retail Venture Pvt. Ltd (Now known as Infill Retail Ventures Pvt. Ltd)	<input type="checkbox"/>	
73.	Proper Buildcon Pvt. Ltd (Proper Consultancy Pvt. Ltd)	<input type="checkbox"/>	
74.	Teknopoint Trading Company Pvt. Ltd	<input type="checkbox"/>	
75.	Microgate Trading Co Pvt Ltd	<input type="checkbox"/>	
76.	Obedience Infracon Pvt. Ltd.	<input type="checkbox"/>	
77.	Virtuous Buildcon Pvt. Ltd.	<input type="checkbox"/>	
78.	Silicon First Realtor Pvt. Ltd.	<input type="checkbox"/>	
79.	Valencia Builders Pvt. Ltd.	<input type="checkbox"/>	
80.	Greentown Realtors Pvt. Ltd.	<input type="checkbox"/>	
81.	Scarlet Trading & Services Pvt. Ltd	<input type="checkbox"/>	
82.	Quality Realty Pvt Ltd	<input type="checkbox"/>	
83.	Sigtia Constructions Private Limited		<input type="checkbox"/>

**Whether BBEs were issued disproportionately high value loans despite weak financials**

43. The details of the disbursement to and collection from BBEs by DHFL is tabulated below:

**Table 6: Details of disbursement and collection from 87 entities FY 2007-08 to FY 2018-19**

*(INR in crores)*

Sr. No.	Name of Company	Disbursement	Collection (Principal repayment)
1	Lookout Realty Pvt. Ltd.	620.64	113.32
2	Darshan Developers Pvt. Ltd.	598.08	-
3	Faith Realtors Pvt. Ltd.	460.66	-
4	Sigtia Constructions Pvt. Ltd.	407.59	-
5	Marvel Township Pvt. Ltd.	406.22	122.31
6	Dallas Traders & Developers Pvt. Ltd.	250.00	-
7	Stronghold Realty Pvt. Ltd.	226.48	-
8	Glowster Properties Pvt. Ltd	226.16	68.04
9	Random Realtors Pvt. Ltd.	221.32	-
10	Scarlet Realtors Pvt. Ltd	193.32	268.86
11	Solitaire Realtech Pvt. Ltd	210.88	35.38
12	Skylark Buildcon Pvt. Ltd.	210.00	364.75
13	Poseidon Realty Pvt. Ltd.	208.98	-
14	Aqua Realty Pvt. Ltd.	198.83	-
15	Entity Realtors Pvt. Ltd.	189.15	270.67
16	Proficient Real Estate Developers Pvt Ltd.	186.51	278.68

Sr. No.	Name of Company	Disbursement	Collection (Principal repayment)
17	Pawansut Dwellers Pvt. Ltd.	184.00	30.64
18	Earnet Homes Pvt Ltd	180.43	-
19	Grand Realty India Pvt. Ltd	142.08	253.77
20	Revolution Realty Pvt Ltd	173.74	-
21	Uniworth Real Estate Dev. Pvt. Ltd	159.00	248.06
22	Outlook Landmark Pvt Ltd.	156.50	-
23	Shreesay Realtors Pvt. Ltd.	155.50	201.53
24	Vaastu Puja Realty Pvt Ltd.	155.10	23.82
25	Starlight Hospitality Pvt Ltd	155.00	158.57
26	Bodhisatva Realtors Pvt Ltd	122.18	280.53
27	Able Realty Pvt. Ltd.	154.36	24.43
28	Mercury Realty Pvt Ltd	136.45	164.31
29	Daffodils Realtors Pvt. Ltd.	151.16	220.25
30	Maxima Agrotrade Pvt Ltd	142.01	304.75
31	Agrani Education Consultants Pvt. Ltd	145.48	120.55
32	Rooftop Infraprojects Pvt Ltd	95.75	301.10
33	Duke Realtors Pvt. Ltd.	140.00	177.24
34	Panorama Landmark Pvt. Ltd.	133.49	78.42
35	Guardex Realtors Pvt. Ltd.	132.21	25.34
36	Victor Infratech Pvt. Ltd	130.52	244.93
37	Skill Realtors Pvt. Ltd.	128.52	7.25
38	Vista Landmark Pvt Ltd	128.41	86.21
39	Aahna Infracon Pvt. Ltd.(Aahna Mercantile Pvt. Ltd.)	125.00	162.58
40	Emblem Realtors Pvt. Ltd.	124.92	41.73
41	Hireward Finco Pvt. Ltd.	124.10	44.40
42	Knack Realtors Pvt Ltd.	112.90	132.94
43	Master Realtors Pvt Ltd	112.85	252.82
44	Emergence Realtors Pvt Ltd.	110.57	5.32
45	Varah Realty Pvt Ltd	110.00	148.74
46	Sahana Dwellers Pvt Ltd.	102.00	21.11
47	Coral INN Pvt Ltd	101.45	252.57
48	Elated Developers Pvt. Ltd.	100.00	128.40
49	Escalate Realtors Pvt. Ltd.	99.00	30.92
50	Stunner Merchandising Pvt. Ltd.	96.10	31.54
51	Rendition Realtors Pvt. Ltd.	95.00	1.63
52	Spectacular Buildcon Pvt. Ltd.	93.68	-
53	White Lion Multitrade Pvt. Ltd	93.55	110.35
54	Euphoria Realty Pvt Ltd	92.35	-
55	Marker Infracon Pvt. Ltd	86.04	125.40
56	Luxuria Realtors Pvt. Ltd.	82.75	61.64
57	Mindshare Promotions & Events Pvt Ltd.	79.20	93.33
58	Frontline Landmark Pvt Ltd	76.83	152.65
59	Flyhigh Realtors Pvt. Ltd	75.51	146.38
60	Matrix Realtors Pvt Ltd	68.67	298.75
61	Goal Realtors Pvt Ltd	73.75	86.65
62	Marari Hospitality Pvt Ltd	72.62	268.64
63	Sahana Construction Pvt. Ltd.	71.80	13.89
64	Nurture Realtors Pvt Ltd	63.11	91.86
65	Makshi Real Est. Dev. Pvt. Ltd (Makshi Trad. P. Ltd)	63.00	0.08
66	Ragini Real Estate Developers Pvt. Ltd.	61.63	110.99
67	Silver Birch Hospitality Pvt. Ltd.	60.00	60.00

Sr. No.	Name of Company	Disbursement	Collection (Principal repayment)
68	Ultratech Project Management Service Pvt. Ltd	58.32	19.28
69	Sunblink Real Estate Pvt. Ltd.	57.52	104.89
70	Westwing Developers Pvt. Ltd.	55.02	129.02
71	Queentown Projects Pvt. Ltd.	55.00	122.51
72	Creatoz Builders Pvt. Ltd	50.60	3.25
73	Canary Hospitality Pvt Ltd	50.00	266.84
74	Growmore Events & Promotions Pvt. Ltd.	50.00	32.34
75	Ultra Space Dev. Pvt. Ltd	50.00	51.41
76	Valencia Developers Pvt. Ltd.	48.01	63.58
77	Wadhawan Retail Venture Pvt. Ltd (Now known as Infill Retail Ventures Pvt. Ltd)	44.46	24.46
78	Proper Buildcon Pvt. Ltd (Proper Consultancy Pvt. Ltd)	43.00	82.10
79	Teknopoint Trading Company Pvt. Ltd	0.01	51.46
80	Microgate Trading Co Pvt Ltd	0.009	51.85
81	Obedience Infracon Pvt. Ltd.	33.25	46.62
82	Virtuous Buildcon Pvt. Ltd.	25.00	130.71
83	Silicon First Realtor Pvt. Ltd.	22.50	28.08
84	Valencia Builders Pvt. Ltd.	17.42	22.63
85	Greentown Realtors Pvt. Ltd.	2.72	28.67
86	Scarlet Trading & Services Pvt. Ltd	0.80	1.14
87	Quality Realty Pvt Ltd	0.40	0.59
<b>GRAND TOTAL</b>		<b>11,309.12</b>	<b>8,610.45</b>

44. It is noted that DHFL was in the business of earning interest by lending money to borrowers. The rate of interest charged would vary depending upon the creditworthiness of the borrower, collateral offered etc. However, Table 6 above merely reflects the funds disbursed (INR 11,309.12 crores) and principal repayment recovered from individual BBEs (INR 8,610.45 crores) during the FY 2007-08 to FY 2018-19, without reflecting the corresponding interest that should have been paid. Despite the above, I note that DHFL has recorded interest income in its P&L, purportedly received from the BBEs for FYs 2007-08 to FY 2018-19 (*later in this Order, it is explained how the interest income was never actually received from the 87 BBEs*).

**Table 7: Details of interest income earned but not received from 87 BBEs as recorded by DHFL during FYs 2007-08 to 2018-19**

(INR in crores)

Year	Total Interest Bandra Book
2007-08	216.01
2008-09	253.91
2009-10	367.09
2010-11	457.69
2011-12	615.78
2012-13	713.60

Year	Total Interest Bandra Book
2013-14	1,114.46
2014-15	1,429.09
2015-16	1,751.09
2016-17	1,453.12
2017-18	1,247.67
2018-19	1,234.17
<b>TOTAL</b>	<b>10,853.68</b>

Thus, from the above, not only had DHFL disbursed INR 11,309.12 crores to 87 BBEs (of which INR 8,610.45 crores of principal repayment was received over time), it had also showed interest income of INR 10,853.68 in its P&L which was never supported by any real inflow of funds. It can be reasonably inferred that had the disbursed funds of INR 11,309.12 crores been deployed against genuine collateralized loans, in the normal course of business, DHFL would have likely received legitimate interest income of the order of INR 10,853.68 crores during the period. Accordingly, factoring the unrecovered principal repayment (INR 2,698.67 crores) and unrecovered fictitious interest income (INR 10,853.68), the cumulative financial impact and extent of loss to DHFL between FY 2007-08 and FY 2018-19 can be quantified as INR 13,552.35 crore. Overall, the outstanding BBE loan book as of March 31, 2019 was INR 14,040.50 crore.

45. On a perusal of the balance sheets for FY 2007-08 to FY 2018-19 and the amount of “Loan Balance” to BBEs year-on year provided by the Company *vide* letter dated December 03, 2021, I note that loans extended to BBEs were on an average around 24.8% of the “Total Loans” disbursed over the years (refer column E of Table 8 below). If these were to be depicted correctly, they should have been characterised as unsecured inter-corporate loans to associated entities. However, no such category appears in the balance sheet, which only consisted of “Retail Housing Loans” and “Other Property Loans”. Further, I note that BBEs loan balance every year was more than the balance shown as “Other Property Loans” in the balance sheet until FY 2015-2016 which shows that loans given to the 87 BBE were not even shown as part of the “Other Property Loans” but misrepresented as “Retail Housing Loans” year-on-year. This egregious misclassification helped DHFL appear to be compliant with its primary business of providing housing loans. This categorization not only masked the true extent of fund diversion but also likely enabled DHFL to continue accessing public and institutional debt

and equity funding under the guise of supporting the housing finance sector. Had they been disclosed correctly, these loans would have warranted greater oversight due to concerns over conflicts of interest, credit risk and potential misuse of funds.

**Table 8: Comparison of Housing Loans, Other Property Loans disclosed in Annual Report for FY 2007-08 to FY 2018-19 and the amount of Loan Balance to Bandra Book entities**

*(INR in crores)*

Loan Balance as on	Bandra Book Loan Amount	Other Property Loans disclosed in Annual Report <sup>28</sup>	Housing Loans disclosed in Balance Sheet	Total Loan	Bandra Book Loan as % of Total Loans
	A	B	C	D = B+C	E = A/D *100
31/03/2008	1,275.09	445.84	3,712.22	4,158.06	30.67%
31/03/2009	2,040.65	436.76	5,369.85	5,806.61	35.14%
31/03/2010	2,894.07	472.79	8,285.61	8,758.40	33.04%
31/03/2011	4,811.94	685.01	13,474.73	14,159.74	33.98%
31/03/2012	5,801.71	2,524.99	18,569.66	21,094.65	27.50%
31/03/2013	8,526.65	4,519.08	31,597.37	36,116.45	23.61%
31/03/2014	11,247.86	7,377.66	37,298.82	44,676.48	25.18%
31/03/2015	14,590.72	11,877.73	45,006.08	56,883.81	25.65%
31/03/2016	15,560.00	13,221.59	56,302.29	69,523.88	22.38%
31/03/2017	12,178.36	16,929.03	66,630.89	83,559.92	14.57%
31/03/2018	13,363.79	27,934.59	83,151.24	1,11,085.83	12.03%
31/03/2019	14,040.50	97,976.97		97,976.97	14.33%
					<b>Average= 24.84%</b>

46. I note that financial statements of 54 BBEs including top 40 recipients of loans among the BBEs and 14 other BBEs whose financials contributed around 80% *i.e.*, INR 9,284.35 crores of the total disbursements are available on record. On examination of the financials, it is observed that around 43 of the 54 BBEs had reported “NIL” revenue for the period FY 2015-16, FY 2016-17 and FY 2017-18 and the remaining had reported negligible revenue from operations. Further, the disbursements made to these BBEs were in the range of 1.6 times to 2,271.43 times of the average net-worth of these entities for the period FY 2015-16, FY 2016-17 and FY 2017-18. This shows that most of the BBEs had inadequate repayment capacity and weak financial strength and the amounts disbursed to these companies is not at all commensurate with the financials of these companies.

<sup>28</sup> As per the Annual Reports of DHFL, “Property loans” consists of non-housing loans such as mortgage loans, project loans, commercial loans, plot loans, lease rental finance and other loans which are all against real estate properties.

**Table 9: Company-wise details of the average revenue, networth, paid up capital, etc. for the FYs 2015-16, 2016-17 and 2017-18**

*(INR in crores)*

#	Name of Company	DOI	Period when amt disbursed	Amt. Disbursed	Average paid up capital for 3 years	Average net worth for 3 years	Average revenue from operations for 3 years	Average fixed assets for 3 years	Average operating expenses for 3 years
1	Lookout Realty Private Limited	29-Mar-11	Dec,2013 to May,2015	620.64	0.01	-0.38	0.00	0.00	0.15
2	Darshan Developers Private Limited	24-Nov-03	March, 2012 to Sept, 2015	598.08	4.12	8.52	0.00	5.08	6.15
3	Faith Realtors Private Limited	01-Jan-10	Jan, 2012 to Mar, 2016	460.66	0.01	-5.49	0.53	0.00	2.62
4	Sigtia Constructions Private Limited	18-Mar-94	Aug, 2012 to May, 2014	407.59	4.35	3.03	0.00	0.01	10.59
5	Marvel Township Developers Private Limited	20-May-10	Feb, 2013 to July, 2015	406.22	0.01	-0.60	0.00	0.00	0.42
6	Dallas Traders and Developers Private Limited	12-Jul-04	Apr, 2011 to Mar, 2016	250.00	0.01	-0.22	0.00	0.00	0.00
7	Stronghold Realty Private Limited	20-May-10	July, 2013 to June, 2015	226.48	0.01	-0.40	0.00	0.00	0.09
8	Glowster Properties Private Limited	15-Jun-09	Dec, 2009 to May, 2015	226.16	0.01	-0.58	0.00	0.00	3.56
9	Random Realtors Private Limited	12-Aug-08	Mar, 2013 to Feb, 2016	221.32	0.01	-0.43	0.41	0.00	0.13
10	Scarlet Realtors Private Limited	11-Jan-07	Feb, 2007 to Dec, 2015	216.32	0.93	-1.38	0.00	0.00	0.30
11	Solitaire Realtech Private Limited	03-Jan-07	May, 2007 to Apr, 2011	210.88	0.10	-2.16	0.00	0.00	0.99
12	Skylark Buildcon Private Limited	12-Aug-10	July, 2011 to Aug, 2011	210.00	1.50	-131.59	3.73	283.29	1.45
13	Poseidon Realty Private Limited	20-May-10	March, 2013 to June, 2013	208.98	0.01	-0.37	0.00	0.00	0.08
14	Aqua Realty Private Limited	11-Apr-11	Dec, 2012 to May, 2015	198.83	0.01	-0.33	0.00	0.00	0.12
15	Entity Realtors Private Limited	18-Apr-08	Oct, 2011 to Feb, 2014	189.15	1.05	-2.84	0.00	0.00	1.93
16	Proficiant Real Estate Developers P Limited	31-Jan-02	May, 2007 to Aug, 2010	186.51	0.98	-1.38	0.00	0.00	0.34
17	Pawansut Dwellers Private Limited	11-Jan-10	Feb, 2011	184.00	0.01	-3.34	0.00	0.00	0.20
18	Earnet Homes Private Limited	20-Dec-94	Apr, 2012 to May, 2015	180.43	0.01	-0.25	0.10	0.00	0.12

#	Name of Company	DOI	Period when amt disbursed	Amt. Disbursed	Average paid up capital for 3 years	Average net worth for 3 years	Average revenue from operations for 3 years	Average fixed assets for 3 years	Average operating expenses for 3 years
19	Grand Realty India Private Limited-	16-Jan-06	Oct, 2006 to Dec, 2015	178.90	0.68	1.21	0.00	0.00	0.29
20	Revolution Realty Private Limited	29-Mar-11	Aug, 2012 to Apr, 2015	173.74	0.01	-0.35	0.00	0.00	0.13
21	Uniwoth Real Est Dev P Limited	03-Aug-09	Jan, 2010 to Mar, 2014	159.00	0.02	0.07	0.00	0.00	0.01
22	Outlook Landmark Private Limited	08-Oct-10	Apr, 2012 to Apr, 2014	156.50	0.01	-0.35	0.00	0.00	0.14
23	Shreesay Realtors Private Limited	03-Jun-13	Sep, 2013 to Feb, 2014	155.50	0.05	-0.07	0.00	0.00	0.00
24	Vaastu Puja Realty Private Limited	20-May-10	July, 2012 to Jan, 2013	155.10	1.76	1.06	0.21	0.00	0.81
25	Bodhisatva Realtors Private Limited	10-Jun-03	Sep, 2006 to Dec, 2015	154.78	0.24	1.91	-0.80	7.90	0.00
26	Able Realty Private Limited	21-May-10	Feb, 2012 to May, 2015	154.36	0.01	-0.13	0.00	0.00	0.09
27	Daffodils Realtors Private Limited	14-Mar-08	Nov, 2011 to Feb, 2014	151.16	0.08	0.84	0.00	0.00	0.00
28	Maxima Agrotrade Private Limited	23-Feb-07	Jan, 2007 to Aug, 2010	150.01	17.60	3.20	0.00	6.05	0.00
29	Agrani Education Consultants Private Limited	20-Oct-05	Aug, 2009 to Aug, 2010	145.48	2.02	-8.31	0.00	0.00	0.50
30	Rooftop Infraprojects Private Limited	20-Feb-07	Dec, 2006 to Aug, 2010	140.75	17.60	1.33	0.00	0.00	0.39
31	Panorama Landmark Private Limited	13-Oct-10	Mar, 2013 to Apr, 2015	133.49	0.05	-1.22	-1.14	0.00	0.00
32	Guardex Realtors Private Limited	12-Aug-08	Mar, 2012 to Feb, 2015	132.21	1.30	-0.79	0.00	64.13	0.00
33	Victor Infratech Private Limited	30-Apr-07	Sep, 2009 to Dec, 2015	130.52	0.13	0.41	0.00	0.00	0.03
34	Skill Realtors Private Limited	02-Sep-08	Nov, 2011 to May, 2014	128.52	0.04	26.60	0.00	8.21	0.00
35	Aahna Infracon P Limited(Aahna Mercant Private Limited)	02-Dec-09	Dec, 2009 to Mar, 2010	125.00	0.01	-4.30	0.00	0.00	0.01
36	Emblem Realtors Private Limited	18-Apr-08	May, 2012 to Mar, 2016	124.92	1.22	-1.69	0.00	0.00	0.23
37	Hireward Finco Private Limited	13-Aug-10	Apr, 2011 to Apr, 2014	124.10	1.63	-1.05	0.00	0.00	0.31
38	Master Realtors Private Limited	20-Feb-07	Apr, 2007 to Oct, 2010	112.85	16.90	1.62	0.00	7.84	0.00
39	Emergence Realtors Private Limited	01-Jun-12	Sep, 2012 to Mar, 2015	110.57	0.05	-0.07	0.00	0.00	0.00

#	Name of Company	DOI	Period when amt disbursed	Amt. Disbursed	Average paid up capital for 3 years	Average net worth for 3 years	Average revenue from operations for 3 years	Average fixed assets for 3 years	Average operating expenses for 3 years
40	Coral INN Private Limited	29-Feb-08	Jan, 2009 to Mar, 2011	101.45	0.22	2.03	-0.58	0.00	0.00
41	Escalate Realtors Private Limited	18-Apr-08	Nov, 2011 to Apr, 2012	99.00	0.06	-0.91	0.00	79.70	0.00
42	Stunner Merchandising Private Limited	06-Aug-10	June, 2011 to Apr, 2012	96.10	0.06	-0.83	0.00	0.00	0.01
43	White Lion Multitrade Private Limited *	30-Mar-09	Dec, 2009 to Sep, 2011	93.55	0.01	-0.19	0.38	0.00	0.41
44	Marker Infracon Private Limited	23-Dec-09	Dec, 2009 to May, 2015	86.04	0.01	-2.88	0.00	0.00	0.00
45	Flyhigh Realtors P Limited (Flyhigh Mgt Ser P Limited)	07-Dec-09	Dec, 2009 to Nov, 2010	75.51	0.01	1.62	0.00	10.45	0.00
46	Matrix Realtors Private Limited	16-Mar-07	Nov, 2006 to Apr, 2016	75.42	1.35	-22.21	0.00	0.00	0.44
47	Marari Hospitality Private Limited	11-Jul-08	June, 2010 to Dec, 2015	72.62	0.12	-14.64	0.00	0.00	0.00
48	Makshi Real Est Dev Pvt. Limited	05-Dec-09	Dec, 2009 to Feb, 2011	63.00	0.01	-7.47	3.52	0.00	3.52
49	Ragini Real Estate Developers Private Limited	15-Oct-09	Dec, 2009 to Apr, 2015	61.63	0.01	-0.68	0.00	9.91	0.00
50	Ultratech Project Management Service Private Limited	18-Aug-08	Apr, 2010 to Mar, 2011	58.32	2.02	-7.33	0.00	46.63	0.00
51	Sunblink Real Estate Private Limited	15-Jun-09	Dec, 2009 to May, 2015	57.52	0.01	-0.93	0.00	0.11	0.09
52	Canary Hospitality Private Limited	18-Feb-08	Aug, 2010 to Apr, 2012	50.00	1.01	-6.82	-0.54	0.00	0.00
53	Growmore Events & Promotions Private Limited	03-Apr-13	Mar, 2015	50.00	0.01	0.03	0.00	0.00	0.00
54	Wadhawan Retail Venture Private Limited	10-Nov-05	June, 2010	44.46	1.00	13.45	0.00	143.51	0.00

**(Source: Financials filed with MCA)**

\*Financials for FY 2017-18 are not available on MCA website hence average of preceding 3 years (2014-15, 2015-16 and 2016-17) has been considered.

47. The information recorded above makes it quite clear that DHFL had been extending high value loans disproportionately to BBEs. Large numbers of these BBEs had very weak financials with NIL assets or revenue. In fact –

- 38 out of 54 entities listed in the aforesaid Table had negative networth and yet were disbursed a total of INR 6545.65 crore;

- 47 out of 54 entities had NIL or negative revenue and yet were disbursed a total of INR 7900.27 crore; and,
- 40 out of the said 54 entities had NIL fixed assets and yet were disbursed a total of INR 6993.85 crore.

For instance, as can be seen from Table 9 above, an amount of INR 620.64 crores was disbursed during December, 2013 to May, 2015 to a BBE called 'Lookout Realty Private Ltd.', which is a promoter controlled entity<sup>29</sup>, despite it having NIL average revenue from operations FYs 2015 to 2018, NIL average fixed assets for the said period and negative average networth for the same period. The unusual extent of loans given to such connected/ controlled entities that are financially worthless and therefore unable to repay the loans can by itself be indicative of potential fraud and questions the genuineness of the so-called 'loans'. Further, as explained subsequently in Paragraph 48 and Table 10 of this Order, the standard lending norms for approval of such loans was not followed (such as KYC and creation of charge etc). From the financial statements of these 54 BBEs, it can be seen that the amount received from DHFL has been shown as "Unsecured Long Term Borrowing- From Others". The absence of collateral in the loans granted to BBEs which were disguised as "Housing Loans" goes against the fundamental nature of housing loans that mandate the registration of a mortgage or charge against the property as security to protect the lender's interest. Thus, not only DHFL granted huge loans to BBEs with weak financials, but it also sabotaged its own rights to repossess and sell the mortgaged property in the event of default – which reflects, by preponderance of probability, a well-thought out design to siphon off funds. Such loans also misled the regulatory authorities regarding the actual size of the secured loan book of DHFL. Typically, in absence of collateral or security for loans other than housing loans, either higher rates of interest are imposed (commensurate with the risk involved), or the credit is refused altogether (as in this case, where there is simply no reason to expect any repayment of interest or principal).

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<sup>29</sup> Mr. Sunny Suresh Bathija, brother-in-law of Mr. Dheeraj Wadhawan was a director here. Also, this company got amalgamated with TDIL where Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan were past directors. Further, TDIL had the same address as Wadhawan Holding Pvt. Ltd., a Promoter group company.

### **Process for approval of BBE loans**

48. As per UBI bank account details from which loans were disbursed i.e. 3156xxxxxxx4098 –Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan were authorized to operate the said bank account, “*without any limit*”, singly or jointly. The authorization was granted for the first time to Noticees 1 *vide* board meeting dated May 15, 2006 and Noticee 2 *vide* board meeting dated May 12, 2008. I note that the TAR records that “*standard underwriting procedures for loan sanctioning and disbursement were not performed for these 91 entities*”<sup>30</sup> *Detailed list of lending norms that were not adhered to as per Corporate Debtors policies and procedures are illustrated in Annexure 6.*” In this regard, Annexure 6 of the TAR reads as:

**Table 10: Details of standard lending norms**

#	Particulars
1.	Loan application form
2.	Obtaining KYC documents
3.	Obtaining financial statements
4.	Obtaining ITR
5.	Preparing credit assessment memo / process notes
6.	Legal search report
7.	Title search report
8.	Property valuation report
9.	Results of desktop searches
10.	Charge creation
11.	Mortgage of security
12.	Loan agreement
13.	Sanction letter
14.	Demand promissory note
15.	Disbursement draw-down request
16.	Cancelled cheque, PDC & UDC

49. This observation has not been contested by any of the Noticees as well.

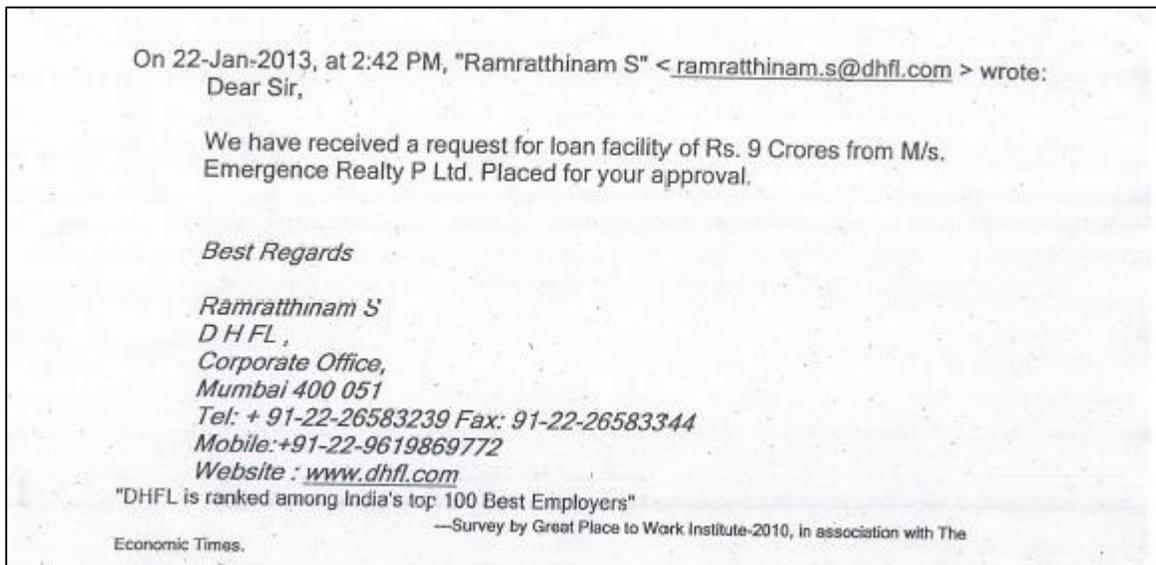
50. I note that the details of KMP and officials in the accounts team received from DHFL *vide* email dated June 08, 2021, refers to one Priya Pravin Naik, Senior Manager –Accounts, who is said to have been responsible for “*Monthly entries of Bandra Branch*”. The TAR also records that DHFL had user code “pnaik” for BBEs accounting. “Pnaik” appears to

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<sup>30</sup> While the TAR mentions 91 BBEs, names of 4 BBEs are repeated. Therefore, there are only 87 unique BBEs.

be short form of Ms. Priya Pravin Naik. In response to inquiries from SEBI, Ms. Priya Naik, vide email dated August 06, 2021 explained her role and responsibilities in DHFL, BBES disbursal process and provided supporting emails dated June 30, 2014 (*exchanged between Mr. Sonpal Jain (former employee of RKW Developers Pvt. Ltd. handling accounts and taxation), Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan, Mr. Sudhir D Pawar, Mr. Jayesh Khona and Ms. Priya Naik*) and January 22, 2013 (*exchanged between Mr. Ramratthinam S, Mr. Kapil Wadhawan, Mr. Prashant Chaturvedi (former Head, Finance & Resources, DHFL), Mr. Jitendra N. Shah (former Senior General Manager- Accounts & Taxation, DHFL) and Mr. Sudhir D Pawar*) confirming her claims. The email dated June 30, 2014 is discussed subsequently in this Order and the email dated January 22, 2013 is reproduced below:

**Image 3: Email sent by Mr. Ramratthinam S to Mr. Kapil Wadhawan dated January 22, 2013 for approval of loan**



**Image 4: Email sent by Mr. Kapil Wadhawan dated January 22, 2013 approving the loan and onward transmission to Finance, Accounting & Taxation employees of DHFL for processing**

J.N.Shah  
Senior General Manager  
Accounts & Taxation

DHFL  
Corporate Office  
Bandra (E) Mumbai - 51,  
Tel. : (91-22) 26583333 / 26474333  
Fax. : (91-22) 26583344  
E-mail. : info@dhfl.com, shah@dhfl.com  
Web: dhfl.com  
In case of any concern or dis-satisfaction with this response, you may write to  
anil.sachidanand@dhfl.com

-----Forwarded by Jitendra N Shah/dhfl on 22/01/2013 03:02PM -----  
To: Prashant Chaturvedi/dhfl@dhfl, Jitendra N Shah/dhfl@dhfl, Sudhir D Pawar/dhfl@dhfl  
From: Ramratthinam S/dhfl  
Date: 22/01/2013 02:52PM  
Subject: Fw: Approval

Please find approval from C M D for your doing the needful.

*Best Regards*

*Ramratthinam S*  
*D H F L ,*  
*Corporate Office,*  
*Mumbai 400 051*  
*Tel. : + 91-22-26583239 Fax: 91-22-26583344*  
*Mobile:+91-22-9619869772*  
*Website : www.dhfl.com*

----- Forwarded by Ramratthinam S/dhfl on 01/22/2013 02:49 PM -----

From: Kapil Wadhawan/dhfl  
To: "Ramratthinam S" <ramratthinam.s@dhfl.com>  
Date: 01/22/2013 02:51 PM  
Subject: Re: Approval

Ok approved

Kapil Wadhawan  
(Chairman & MD)  
DHFL, Hdil towers, anant kanekar  
Math, Bandra east, Mumbai

51. From the aforesaid emails dated June 30, 2014 and January 22, 2013, the following process of fund transfer to the BBEs is observed:

- (i) A request for fund transfer was received from the entities' representative (third party and/or related entities) for a given amount. These requests were sent to the Chairman and Managing Director (CMD) *i.e.*, Mr. Kapil Wadhawan (Noticee 1).

- (ii) CMD provides an email approval, which was marked to the Treasury and Account departments for further processing.
- (iii) Based on the email received from CMD, funds were transferred from overdraft account of DHFL *i.e.*, UBI bank account number 3156xxxxxxx4095 of DHFL to current deposit account *i.e.*, UBI bank account number 3156xxxxxxx4098.
- (iv) Once the funds were received in UBI 3156xxxxxxx4098 account, the accounts department processes the same for disbursement to respective entities, as mentioned in the email approval.

52. Ms. Priya's role and the disbursement process is also corroborated from email of Mr. Jayesh Khona, VP-Special Projects, DHFL dated August 27, 2021. Relevant extracts are reproduced below:

**“2(IV)(a) Ans:** *Fund transfer was approved by CMD Kapil Wadhawan and sent to Finance department for arranging funds and Finance department had forwarded the mail to me after arrangement of funds for further accounting treatment. As per past practice of our Ex-HOD, I had forwarded the said mail to Ms. Priya Naik, who was handling the fund transfer bank transaction and necessary accounting entries. In the said matter, I had just followed the past practice and had no significant role to play.*

**2(V) Ans:** *As explained in above point No. 2(I) and 2(III)(d), there was no specific role of mine in operation and maintenance of Foxpro System but whatever the understanding I have, I can explain about the Foxpro System.*

*Loan portfolio managed by Management was kept only in Foxpro System and the said system was a mirror accounting system of Bandra branch. Any amount disbursed under Management portfolio was accounted in Bandra branch and by automated IT program it used to be accounted in small ticket size loan accounts. Also, any uncollected amount of monthly EMI was also converted to fresh disbursement at the time of month end process run in Foxpro System. This process was predefined in IT program of Foxpro system. Data kept in Foxpro was uploaded to Synergy system on monthly basis to generate consolidated Trial balance of 200+ branches, Head Office and Bandra Branch. I think Ms. Priya Naik or IT department will help to throw more light on the said system.*

*One more dummy Accounting system was maintained as Mirror system of Bandra branch under TALLY Software. Any amount disbursed / collected, same has been accounted in*

*FOXPRO system by Ms. Priya Naik and on monthly basis details of the said payment / collection given by Ms. Priya Naik to Mr. Hemant Shah for maintaining record Entity (Party) wise in TALLY System.*

**2(VI) Ans:** *As explained in Point No. 2(V), Foxpro data was uploaded to synergy system on monthly basis and necessary journal entries were passed in Synergy system to match the trial balance of Bandra branch in Foxpro System to Synergy System. From Synergy System, Consolidated Trial Balance of the entire company was generated for periodic finalisation as per past regular practice.*

*Given Journal entry No.00000001 dated 30/04/2014, it seems Automated Closing JV was passed by Foxpro System at the month end process of April' 2014. There was no specific approval for said entry as same has been passed by the system during month end process run by Ms. Priya Naik."*

53. For instance, I note from the sample email dated June 30, 2014 submitted by Ms. Priya Naik, that the request for transfer of funds of INR 100 crores each to Aqua Realty Pvt. Ltd. and Marvel Township Pvt. Ltd was sent by Mr. Sonpal Jain, Head of Accounts & Finance of RKW Developers Pvt. Ltd. to CMD *i.e.*, Noticee No. 1. On the same day, he "approved" the said transfer and sent a copy of this email to accounts department of DHFL for release of funds, with a copy of email marked to Mr. Dheeraj Wadhawan (Noticee 2). Further, Noticee 2 is a Promoter and Whole Time Director in RKW Developers Pvt. Ltd. From the statement of UBI bank account number 3156xxxxxxx4098, it is observed that on June 30, 2014, INR 200 crores were transferred from UBI Bank account number 3156xxxxxxx4095 to UBI Bank account number 3156xxxxxxx4098. On the same day, INR 100 crores each was disbursed from UBI bank account number 3156xxxxxxx4098 to the same entities as mentioned in email approval, namely "Aqua Realty Pvt. Ltd." and "Marvel Township Pvt. Ltd". Further, the above mentioned transactions were reconciled with the data of entity wise disbursements made available by the Company *vide* letter dated December 03, 2021. I note from the bank statement of UBI account no. 3156xxxxxxx4095 and UBI account no. 3156xxxxxxx4098, that the above transaction is reflected as under:

**Image 5: Snapshot of UBI account no. 3156xxxxxxx4095**

UNION BANK OF INDIA BANDRA HILL ROAD - MUMBAI 28-A, HILL ROAD, BANDRA, P.B. NO. 6661, BANDRA (WEST), 400 050. PHONE: 26422756,26402242					
TO: M/S DEWAN HOUSING FINANCE CORPORATION LIMITED / MR KAPIL WADHANAN MADHVA, GROUND FLOOR BANDRA KURLA COMPLEX BANDRA EAST, MUMBAI 400051 MUMBAI-400051 MAHARASHTRA, INDIA					DATE: 04-02-2020
CUST ID: 102818389					
STATEMENT OF ACCOUNT FOR THE PERIOD FROM 01-03-2003 to 31-03-2019 ODGEN-A/C NO: 315604010014095 OVERDRAFT-GENERAL (OVERDRAFT)					
DATE	PARTICULARS	CHK. NO.	WITHDRAWALS	DEPOSITS	BALANCE
30-06-2014	RTGS DEWAN HOUSING FINANCE CORPORATION L UTR No. UTIBH14181079517 Sender Bank: AXIS BANK LTD Sender Branch: SIR P.M. ROAD, FOR BR. (FOR) / UTIB0000004			10,00,00,000.00	11,18,47,445.11Cr
30-06-2014	RTGS DEWAN HOUSING FINANCE CORPORATION L UTR No. UTIBH14181083740 Sender Bank: AXIS BANK LTD Sender Branch: BANDRA (W) (BND) / UTIB0000028			12,93,000.00	11,31,40,445.11Cr
30-06-2014	TRFO 14098		12,93,000.00		11,18,47,445.11Cr
30-06-2014	RTGS DEWAN HOUSING FINANCE CORPORATION L UTR No. UTIBH14181092751 Sender Bank: AXIS BANK LTD Sender Branch: BANDRA (W) (BND) / UTIB0000028			2,00,00,00,000.00	2,11,18,47,445.11Cr
30-06-2014	14098		1,00,00,00,000.00		1,11,18,47,445.11Cr
30-06-2014	14098		1,00,00,00,000.00		11,18,47,445.11Cr

**Image 6: Snapshot of UBI account number 3156xxxxxxx4098**

Statement of Account							
DEWAN HOUSING FINANCE CORPORATION LTD TEL 6400004 C/O. DEWAN HOUSING FINANCE 6 FLOOR, HOIL TOWER, A K MARG BANDRA EAST				Union Bank of India Branch BANDRA HILL RD, MUMBAI Customer Id 102818392 A/C Number 315601010014098 Currency INR Account Type Current Account			
City							
State	MAHARASHTRA						
Country	INDIA						
Zip	400051						
Mobile No.	7506267405						
Email							
Statement Date	13/12/2019 10:43			Statement From	01/04/2014	To	30/06/2014
Date	Tran Id	Remarks	UTR Number	Instr. Id	Withdrawals	Deposits	Balance
30/06/2014	AA425431	BY 14095	-			1293000.00	20550112.11
30/06/2014	AA461096	14095	-			1000000000.00	1020550112.11
30/06/2014	AA461825	14095	-			1000000000.00	2020550112.11
30/06/2014	AA463047	MARVEL TOWNSHIP PVT LTD	-		1000000000.00		1020550112.11
30/06/2014	AA462388	AQUA REALTY PVT LTD	-		1000000000.00		20550112.11
30/06/2014	AA478912	ABLE REALTY PVT LTD	-		1075000.00		19475112.11

54. From the Tally data backup made available by Mr. Hemant Shah, Manager Accounts, DHFL vide email dated September 08, 2022, I note that the accounting entry for the aforesaid payment of INR 200 crores was also recorded in Tally database and was reported as “Loan” on June 30, 2014. The snapshot of the same is as under:

**Image 7: Snapshot of Tally database**

Particulars	Loan Account		
	Dewan Housing Finance Corporation Ltd		
	1-Jun-2014 to 30-Jun-2014		
	Transactions		Closing Balance
	Debit	Credit	
Aqua Realty Pvt Ltd.	1,00,00,00,000.00		1,93,39,54,643.00 Dr
Dallas Traders & Developers Pvt. Ltd.	1,00,00,00,000.00		1,67,67,07,637.00 Dr
Marvel Township Pvt.Ltd.	1,00,00,00,000.00		1,72,21,96,100.00 Dr

55. From Table 9 above, it is evident that Aqua Realty Pvt. Ltd. (funds transferred by DHFL INR 198.83 crores) and Marvel Township Pvt. Ltd. (funds transferred by DHFL INR 406.22 crores) had weak financials. Their average net-worth for FYs 2015-16, 2016-17 and 2017-18 was INR -0.33 crores and INR -0.60 crores, respectively. Further, they had no revenue from operations or assets for the said years. Their average operating expenses for the said 3 years were INR 0.12 crores and INR 0.42 crores. Despite the negative net-worth and no revenue and assets, unnecessary urgency was shown in approving such loans without checking any security or collateral.
56. I note that three other similar emails - (i) dated May 03, 2012 for disbursement of INR 1.5 crores to Outlook Landmark Pvt. Ltd., (ii) dated November 27, 2012 for disbursement of INR 16 crores to Vaastu Puja Realty Pvt. Ltd., and (iii) dated December 05, 2012 for disbursement of INR 10 crores to Skill Realtors Pvt. Ltd. were gathered. The examination of these emails also confirmed the above process of fund transfer mentioned in Paragraph 51 above. Further, the amount disbursed is also verified from the bank statement as received from UBI *vide* email dated September 16, 2022 wherein, it was observed that either the same amount or extra amount was disbursed on the very same day as approved by Noticee 1.
57. As can be seen from the foregoing paragraphs, approval for loan disbursal was a rather centralised activity. Loans were directly approved by Mr. Kapil Wadhawan the MD/ Promoter directors, and Mr. Dheeraj Wadhawan was in the loop on many of them. Such approvals were granted in haste on the same day and basic procedures to be followed at the time of granting loans were not observed. There is no material available demonstrating any prudential guidelines or diligence being followed by DHFL except that its MD was directly approving the 'loans' upon the proposal being put up to him by certain officials of the Accounts team in DHFL. As also elaborated above, these loans were

extended to promoter-connected/ controlled BBEs that had no financial wherewithal to repay them. By preponderance of probability, the only rational explanation for all this is that this was part of an elaborate scheme to siphon out monies from a listed company.

### **Accounting Software used to camouflage the diversion**

58. The SCN alleges that DHFL used 3 different software applications pertaining to the Bandra branch during FY 2006-07 to FY 2018-19. Originally, DHFL used FoxPro from FY 1994 to FY 2006-07. FoxPro software had no central view at the head office (*as recorded in Mr. Kotian's statement*). Instead it was installed individually at every branch separately in a PC using floppy disk. From FY 2006-07, Synergy was the ERP used by DHFL.<sup>31</sup> This has been confirmed by the TAR and statement of Mr. Satish Kotian (former Senior VP-IT, DHFL) and Ms. Sangeeta D Amin (former Associate VP- Accounts).<sup>32</sup> Both have also stated that despite organisation-wide migration to 'Synergy', FoxPro continued to be used by DHFL but only on one system in the head office of DHFL which was accessed and operated by the accounts team comprising Mr. J.N Shah, Ms. Priya Naik *etc* for managing the data pertaining to Bandra branch. As per Ms. Sangeeta Amin's statement, Ms. Priya Naik (former Senior Manager – Accounts, DHFL) managed/ operated this system even after the organisation's data had migrated to Synergy. This has been confirmed by Ms. Priya Naik herself as well, who has among other things also said that the branch code as per the system was '001'<sup>33</sup> which was provided to her by Mr. Satish Kotian. According to Ms. Sangeeta Amin, after her transfer to accounts team in 2016, all the issues related to FoxPro were brought directly to her by Ms. Priya Naik.

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<sup>31</sup> As per Mr. Satish Kotian's statement, computerized loan management system and its integration with financial accounting was done under Mr. Satish Kotian's charge after he joined DHFL.

<sup>32</sup> The job description of Ms. Sangeeta D Amin submitted by Mr. Vinodh Kumar Nekhiladi to Mr. Santosh Sharma (Noticee 6) vide email dated February 15, 2018 and February 19, 2018 shows that one of the responsibilities given to her, was on monthly basis "*Updation of Names in new disbursement done in bandra from previously closed cases*" and was also providing system support services for FoxPro. In her statement before SEBI, she stated that she has reported to Mr. Satish Kotian till his resignation after which she reported to Mr. Pradeep Rajput (former Senior Vice President & Head - Systems Design and Engineering, DHFL) and Mr. Sanjeev Gyani (former Vice President – Operations, DHFL).

<sup>33</sup> As per letter dated August 06, 2021 to SEBI.

59. As per Mr. Satish Kotian, Ms. Sangeeta Amin and the TAR, there were 3 codes created in the FoxPro system - (A) Disbursement Distribution: that distributed amount of actual disbursements made to entities amongst numerous loan accounts of smaller amounts; (B) Collection Distribution: that distributes amount of actual repayment made by the BBEs into existing numerous loans accounts of smaller amounts; and (C) Due disbursement that calculates the EMI and Pre-EMI due for existing loan customers. According to Mr. Satish Kotian, these codes were initially created by Mr. Prashant Kamath (former Manager, Accounts- DHFL) and later “improvised” by his team at the time of migration to Synergy in 2006-07. If the actual collection amount was less than the amount due (principal + interest) from these entities at the end of the month then a book entry was made of the differential amount for showing additional disbursal as well as received from that particular entity through Due Disbursement code. There as actually no fund outflow of this additional disbursal.
60. Once the ERP – Synergy was introduced in DHFL, a logical partition<sup>34</sup> was created in it as per the business requirement given by Mr. Prashant Kamath and apart from Mr. Satish Kotian, Ms. Sangeeta Amin and the accounts team – Mr. Prashant Kamath, Mr. Jayesh Khona and others were aware of this logical partition.<sup>35</sup> As per Mr. Satish Kotian the reason for this partition was not known to him. He had asked Mr. Prashant Kamath who simply said “*this is what management had said*”. Since FoxPro was separately used for Bandra branch by the Accounts Team, it needed to be consolidated into ‘Synergy’ for reporting purposes. The Disbursement Distribution Code enabled DHFL to show a façade of several recipients of small housing loans. Thereby, the fact that funds were being diverted to 87 BBEs instead of housing / retail borrowers remained hidden. The Due Disbursement Code enabled ever greening of the loans and caused bloating of both loans disbursed as well as interest received in these ‘loans’. The TAR illustrated the impact of

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<sup>34</sup> Dividing a physical hard disk into multiple logical sections is called partitioning. A partition is called "logical" because it represents a virtual division of a physical disk, meaning the operating system sees it as a separate storage space even though it exists within the same physical disk, allowing for different file systems and operating systems to coexist on the same drive without actually being physically separated. For example, 'C' drive, 'E' drive etc are different “logical partitions” in a computer since each of these drive letters signifies a separate section of the hard drive that has been divided into partitions, effectively acting as a distinct storage space within the physical disk.

<sup>35</sup> As per the statement of Satish Kotian

these codes by reference to transactions that took place in one sample month i.e. April 2014. The same is reproduced as follows:

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**Image 8: Page 19 of TAR**

- For the month of April 2014, the UBI account 14098 shows total disbursements of INR 242.23 crores made to 12 entities and total collections of INR 29.54 crores received from 17 entities. For details, refer to Annexure 3. (INR in crores)

(INR in crores)				(INR in crores)	
Entities	Collection	Entities	Disbursement		
Guardex Realtors Private Limited	20.00	Outlook Landmark Private Limited	100.00		
Lookout Realty Private Limited	3.00	Lookout Realty Private Limited	48.60		
Skill Realtors Private Limited	1.20	Sigfia Construction Private Limited	31.00		
Emblem Realtors Private Limited	0.35	Hireward Finco Private Limited	30.00		
Others	4.99	Panora Landmark Private Limited	17.90		
<b>Total</b>	<b>29.54</b>	Stronghold Realty Private Limited	5.50		
		Eamet Homes Private Limited	5.28		
		Emblem Realtors Private Limited	1.20		
		Others	2.78		
		<b>Total</b>	<b>242.26</b>		

Manual entries passed in FoxPro

(INR in crores)			
#	Particulars	Dr. Amount	Cr. Amount
1	Entry passed for loan disbursement		
	Housing Loan Recoverable (LA210)	242.26	
	To Bank (BN005)		242.26
2	Entry passed for loan collection		
	Bank (BN005)	29.54	
	To Housing Loan Recoverable (LA210)		29.54

Manual entries passed in Synergy

(INR in crores)			
#	Particulars	Dr. Amount	Cr. Amount
1	Entry passed for loan disbursement		
	Housing Loan Recoverable (03313)	242.26	
	To Union Bank A/C 14098 (02147)		242.26
2	Entry passed for loan collection		
	Union Bank A/C 14098 (02147)	29.54	
	To Housing Loan Recoverable (03313)		29.54

**Image 9: Page 20 of TAR**

**A. Auto-generated entries in FoxPro when code for 'disbursement distribution' is executed**

*(INR in crores)*

#	Particulars	Dr. Amount	Cr. Amount
1	Multiple auto entries of smaller amounts are passed for numerous fictitious retail customers by FoxPro signifying disbursements made of INR 241.92 crores		
	Loan Disb. (HL001)	241.91 <sup>2</sup>	
	To Bank (BN006)		241.91 <sup>2</sup>
2	Entry passed by FoxPro to set-off housing loan recoverable account (LA210) at month end.		
	Bank (BN006) <sup>1</sup>	241.91 <sup>2</sup>	
	To Housing Loan Recoverable (LA210)		241.91 <sup>2</sup>

**B. Auto-generated entries in FoxPro when code for 'collection distribution' is executed**

*(INR in crores)*

#	Particulars	Dr. Amount	Cr. Amount
1	Multiple entries passed by FoxPro to set-off housing loan recoverable account (LA210) at the month end.		
	Housing Loan Recoverable (LA210)	29.19 <sup>2</sup>	
	To Loan Prepayment (HL003)		29.19 <sup>2</sup>

Note:

1. Entries with Bank (BN006) represents no fund movements but only book entries
2. During the month of April 2014, amount disbursed and collected from Emblem Realtors of INR 0.35 crores was not considered for disbursement distribution and collection distribution.

**C. Auto-generated entries in FoxPro when code for 'due disbursement' is triggered**

*(INR in crores)*

#	Particulars	Dr. Amount	Cr. Amount
1	At the end of the month, a consolidated entry is passed by FoxPro to record EMI outstanding for the period.		
	EMI Outstanding (OS001)	120.21	
	To Interest on housing loan (IH001)		97.08
	To Principal prepayment (HL003)		23.13
2	At the end of the month, a consolidated entry is passed by FoxPro to record PEMI outstanding for the period		
	PEMI Outstanding (DR001)	2.61	
	To PEMI Interest (IH002)		2.61

Image 10: Page 21 of TAR

C. Auto-generated entries in FoxPro when code for 'due disbursement' is triggered

(INR in crores)

#	Particulars	Dr. Amount	Cr. Amount
3	Multiple entries passed by FoxPro for receipt of EMI at the month end		
	Bank (BN006)	120.21	
	To EMI Received (EM001)		120.21
4	At the end of the month, consolidated entry is passed by FoxPro to set-off EMI outstanding at month end.		
	EMI Received (EM001)	120.21	
	To EMI Outstanding (OS001)		120.21
5	Multiple entry is passed by FoxPro for receipt of PEMI at the end of the month		
	Bank (BN006)	2.61	
	To PEMI Received (PM001)		2.61
6	Consolidated entry is passed by FoxPro to set-off PEMI outstanding at the end of the month		
	PEMI Received (PM001)	2.61	
	To PEMI Outstanding (DR001)		2.61
7	At the end of the month, a consolidated entry is passed by FoxPro to record EMI outstanding for the period		
	Loan Disb. (HL001)	122.83	
	To Bank (BN006)		122.83

The net effect of all the seven auto-entries passed under the code C is presented below.

- The below entry signifies that EMI and PEMI amount due in April 2014 aggregating to INR 122.83 crores has been serviced by booking additional disbursement of INR 122.83 crores although no cash outflow / inflow occurred for INR 122.83 crores.
- This disbursement of INR 122.83 crores, which has been made to service the dues generated for April 2014, is referred to as **due disbursement / book disbursement**. It is pertinent to note that no actual outflow of funds occurs while booking disbursement of INR 122.83 crores.

	Particulars	Dr. Amount	Cr. Amount
	Loan Disb. (HL001)	122.83	
EMI	To Interest on housing loan (IH001)		97.08
	To Principal prepayment (HL003)		23.13
PEMI	To PEMI Interest (IH002)		2.61
	<b>Total</b>	<b>122.83</b>	<b>122.83</b>

- Accordingly, the interest component of INR 99.69 crores (97.08 crores+ 2.61 crores) though has been classified as income in the statement of profit and loss for the year 2014-15 but the same has not been realized in cash till date.

**Image 11: Page 22 of TAR**

Month end JV entry passed in Synergy (live) to give accounting effect of system (automatic) entries triggered by the code in FoxPro  
(INR in crores)

#	Particulars		Amount	Amount
1	Loan (disb.) (00025)	Dr.	364.74 (241.91 + 122.83)	
2	To Interest on housing loan (00266)	Cr.		97.08
3	To PEMI interest (00267)	Cr.		2.61
4	To Loan pre payment (00019)	Cr.		52.32 (29.19 + 23.13)
5	To Housing loan recoverable (03313)	Cr.		212.72

1. Loan (disb.) (00025) of INR 364.74 crores represents the total amount disbursed during the month comprising of actual disbursement of INR 241.91 crores and due disbursement (book disbursement) of INR 122.83 crores.
2. Interest on housing loan (00266) of INR 97.08 crores represents total interest due for the month of April 2014, which is auto calculated by FoxPro.
3. PEMI Interest (00267) of INR 2.61 crores represents total PEMI interest due for the month of April 2014, which is auto calculated by FoxPro.
4. Loan prepayment (00019) of INR 52.32 crores is a combination of the actual principal of INR 29.19 received during the month of April 2014 crores and principal repayment of INR 23.13 crores owing to due disbursement.
5. Housing Loan Recoverable (03313) represents the balance recorded to set off the actual amount disbursed and collected, which were recorded twice. i.e. to set-off the housing loan recoverable amount which was earlier debited by INR 212.72 crores. Refer to the section 'manual entries passed in synergy' on slide 19.

For the month of April 2014, total disbursement of INR 364.74 crores was distributed amongst 2,521 fictitious loan borrowers having INR 0.14 crores as average disbursed amount.

61. The TARs observations / conclusions are in line with the explanations provided by officials who worked with DHFL whose statements have been relied on for the purpose of these proceedings. I find that the manner in which the FoxPro ERP module continued to be used for a non-existent/ virtual branch (Bandra branch), the kinds of codes built into FoxPro, and the partition of 'Synergy' for specific use of accounting for disbursement to/ collection from Bandra branch entities - all clearly point to the existence of an elaborate use of technology to hide the true picture of affairs at DHFL. This enabled DHFL to blindside regulators and other stakeholders. It also resulted in utter misrepresentation of DHFLs' books of accounts.

**Onward transfer of funds to other BBEs**

62. I note, based on the financial statements of the aforesaid 54 BBEs, that 39 of these 54 BBEs to which INR 5,662.44 crores have been disbursed by DHFL, have further invested around INR 2,254.63 crores *i.e.*, 40% of the amount received from DHFL, in a total of 48 companies that are either part of BBEs or a company connected to the Promoters of DHFL which are not BBEs.

63. The fund movement from the 39 BBEs is explained in the table below:

**Table 11: Fund movement from 39 BBEs**

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
1	Faith Realtors Private Limited	2011-12	20.00	Yardstick Developers Private Limited	20.00	OCD	2011-12
		2012-13	5.50				
		2013-14	25.00				
		2015-16	410.16				
2	Sigtia Constructions Pvt. Ltd	2012-13	114.00	Darshan Developers Private Limited	15.00	Loan	2012-13
				Pawansut Dwellers Pvt. Ltd.	17.06	Loan	2012-13
		2013-14	252.59				
		2014-15	41.00				
3	Dallas Traders and Developers Private Limited	2011-12	10.00				
		2013-14	50.00				

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
		2014-15	100.00	Cloud Nine Realtors Private Limited	100.57	Preference Share	2014-15
		2015-16	90.00				
4	Stronghold Realty Pvt.Ltd	2013-14	53.67				
		2014-15	159.50	RKW Construction Facility Management Private Limited	46.96	Preference Share	2014-15
		2015-16	13.30				
5	Glowster Properties Private Limited	2009-10	71.32	RKW Developers Private Limited	0.80	Equity Shares	2009-10
				Juhu Investments Private Limited	2.73	Immovable Property	2009-10
		2010-11	55.00	Makshi Trading Private Limited	5.00	Loans and Advance	2010-11
				Wadhawan Holding Private Limited	49.00	OCD	2011-12
		2014-15	99.11	Golden Beach Hotels & Resorts Private Limited	5.11	Preference Share	2014-15
		2015-16	0.73				
6	Scarlet Realtors Pvt Ltd	2006-07	23.00				
		2007-08	100.50	Wadhawan Holding Private Limited	62.04	Loans and Advance	2007-08
				Wadhawan Realtors Private Limited	2.87	Loans and Advance	2007-08
				Wadhawan Infrastructure And Developers Private Limited	4.40	Loans and Advance	2007-08
				Microgate Trading Company Private Limited	4.08	Equity Shares	2007-08
				Teknopoint Trading Company Private Limited	0.90	Equity Shares	2007-08
				Creatoz Builders Private Limited	5.02	Equity Shares	2007-08
				Dheeraj Township Developers Private Limited	6.03	Loans and Advance	2007-08
				Wadhawan Consolidated Holdings Private Limited	4.06	Loans and Advance	2007-08
				Wadhawan Retail Venture Private Limited	7.58	Loans and Advance	2007-08
		2008-09	48.00				
		2009-10	25.00				
		2010-11	12.50				
		2011-12	5.50				
		2015-16	1.82				

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
7	Solitaire Realtech Pvt Ltd	2007-08	126.63	Wadhawan Holding Private Limited	83.27	Loans and Advance	2007-08
		2008-09	34.25	Dheeraj Township Developers Private Limited	6.02	Loans and Advance	2008-09
				Creatoz Builders Private Limited	13.33	Loans and Advance	2008-09
				Wadhawan Hospitality and Investments Private Limited	5.00	Loans and Advance	2008-09
				Township Developers India Private Limited	2.65	Loans and Advance	2008-09
		2009-10	30.00	Wadhawan Global Hotels & Resorts Private Limited	10.38	Loans and Advance	2009-10
				Wadhawan Realtors Private Limited	6.34	Loans and Advance	2009-10
				Wadhawan Holding Private Limited	13.29	Loans and Advance	2009-10
		2010-11	14.50				
		2011-12	5.50				
8	Aqua Realty Private Limited	2012-13	81.00				
		2014-15	114.99	Cloud Nine Realtors Private Limited	100.00	Preference Shares	2014-15
				Dheeraj Housing Pvt. Ltd.	10.72	Preference Shares	2014-15
		2015-16	2.84				
9	Entity realtors Private Limited	2011-12	91.15	Dheeraj Township Developers Private Limited	5.35	OCD	2011-12
				RKW Construction Facility Management Private Limited	10.00	OCD	2011-12
				Wadhawan Retail Venture Private Limited	5.50	OCD	2011-12
				Wadhawan Infrastructure And Developers Private Limited	4.50	OCD	2011-12
		2012-13	8.00				
		2013-14	90.00				
10	Proficient Real Estate Developers	2007-08	124.51	Creatoz Builders Private Limited	2.01	Equity Shares	2007-08

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
				Microgate Trading Company Private Limited	4.05	Equity Shares	2007-08
				Teknopoint Trading Company Private Limited	5.01	Equity Shares	2007-08
				Creatoz Builders Private Limited	0.01	Loans and Advance	2007-08
				Dheeraj Township Developers Private Limited	20.03	Loans and Advance	2007-08
				Galaxy Infraprojects and Developers Private Limited	4.60	Loans and Advance	2007-08
				RK Wadhawan Institute for Universal Learning Private Limited	4.77	Loans and Advance	2007-08
				Scarlette Trading and Services Private Limited	0.97	Loans and Advance	2007-08
				Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	7.53	Loans and Advance	2007-08
				Wadhawan Holding Private Limited	48.60	Loans and Advance	2007-08
				Wadhawan Infrastructure And Developers Private Limited	13.53	Loans and Advance	2007-08
				Wadhawan Life Style Retail Private Limited	1.50	Loans and Advance	2007-08
				Wadhawan Realtors Private Limited	2.42	Loans and Advance	2007-08
		2008-09	30.00				
		2009-10	19.50	RKW Developers Private Limited	0.95	Equity Shares	2009-10
				Gold Coin Hospitality Private Limited	4.54	Loans and Advance	2009-10
				RK Wadhawan Institute for Universal Learning Private Limited	0.75	Loans and Advance	2009-10
				RKW Developers Private Limited	6.99	Loans and Advance	2009-10
				Wadhawan Holding Private Limited	9.55	Loans and Advance	2009-10
				Wadhawan Retail Private Limited	32.24	Loans and	2009-10

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
		2010-11	12.50			Advance	
1 1	Pawansut Dwellers Private Limited	2010-11	184.00	Sahana Constructions Pvt. Ltd	183.64	Loan	2010-11
				Sigtia Constructions Pvt. Ltd	4.08	Loan	2010-11
1 2	Grand Realty India Private Limited	2006-07	36.82	Teknopoint Trading Company Private Limited	4.38	Loans and Advance	2006-07
		2009-10	6.00	Wadhawan Infrastructure And Developers Private Limited	15.00	OCD	2013-14
		2010-11	132.87	Wadhawan Holding Private Limited	50.00	OCD	2013-14
		2012-13	1.50				
		2015-16	1.71				
1 3	Revolution Realty Pvt Ltd	2012-13	16.00				
		2013-14	55.00				
		2014-15	100.00	Cloud Nine Realtors Private Limited	100.00	Preference Share	2014-15
		2015-16	2.74				
1 4	Uniworth real estate developers Private Limited	2009-10	9.00				
		2010-11	55.00				
		2013-14	95.00	Wadhawan Realtors Private Limited	27.03	Preference shares	2013-14
				HDIL Leisure Private Limited	16.44	Equity shares	2013-14
1 5	Shreesay Realtors Private Limited	2013-14	155.50	Wadhawan Realtors Private Limited	2.53	Preference Share	2013-14
1 6	Daffodils Realtors Private Limited	2011-12	92.41	Dheeraj Township Developers Private Limited	5.00	OCD	2011-12
				Resources Realty Private Limited	9.00	OCD	2011-12
				Wadhawan Holding Private Limited	15.00	OCD	2011-12
				Wadhawan Realtors Private Limited	11.50	OCD	2011-12
		2012-13	7.75				
		2013-14	51.00	HDIL Leisure Private Limited	8.28	Equity Shares	2013-14
				Wadhawan Realtors Private Limited	49.90	Preference Share	2013-14
1 7	Maxima Agrotrade Private Limited	2006-07	8.00	Blue Star Realtors Private Limited	20.60	18cr - Preference share 2.34cr - Loans and	2006-07

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
						advance	
		2008-09	71.48	Wadhawan Holding Private Limited	9.28	Loans and Advance	2008-09
				Dheeraj Township Developers Private Limited	10.05	Loans and Advance	2008-09
				RKW Developers Private Limited	0.77	Loans and Advance	2008-09
				Wadhawan Infrastructure And Developers Private Limited	20.34	Loans and Advance	2008-09
				Wadhawan Realtors Private Limited	10.48	Loans and Advance	2008-09
				Wadhawan Retail Venture Private Limited	5.00	Loans and Advance	2008-09
				Microgate Trading Company Private Limited	4.00	Equity Shares	2008-09
				Teknopoint Trading Company Private Limited	5.00	Equity Shares	2008-09
				Silver Reed Hotels And Resorts Private Limited	1.85	Loans and Advance	2008-09
		2010-11	70.53				
18	Rooftop Infra Projects Private Limited	2006-07	45.00	Blue Star Realtors Private Limited	4.00	loans and advances	2006-07
		2007-08	3.50	Microgate Trading Company Private Limited	4.08	Equity shares	2007-08
		2008-09	29.75	Dheeraj Township Developers Private Limited	7.00	loans and advances	2008-09
				Resources Realty Private Limited	14.00	loans and advances	2008-09
				Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	0.03	loans and advances	2008-09
				Wadhawan Consolidated Holdings Private Limited	6.56	loans and advances	2008-09
				Wadhawan Hospitality and Investments Private Limited	2.75	loans and advances	2008-09

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
				Wadhawan Infrastructure And Developers Private Limited	4.50	loans and advances	2008-09
		2009-10	50.00				
		2010-11	12.50				
19	Guardex Realtors Private Limited	2011-12	71.68	Wadhawan Holding Private Limited	15.00	OCD	2011-12
		2012-13	50.83				
		2014-15	9.70	Ashiana Realtors Private Limited	36.18	OCD	2014-15
				Wadhawan Holding Private Limited	1.67	OCD	2014-15
				Wadhawan Hospitality and Investments Private Limited	0.40	OCD	2014-15
				Seasaw Agrottrade Private Limited (Formerly known as "Orbit Agrottrade Private Limited" and "Wadhawan Agrottrade Private Limited")	5.93	OCD	2014-15
				Queens Hospitality Private Limited	2.27	OCD	2014-15
20	Victor Infratech Pvt. Ltd.	2009-10	58.42				
		2010-11	70.19	Teknopoint Trading Company Private Limited	4.98	Equity shares	2010-11
				Microgate Trading Company Private Limited	4.09	Equity shares	2010-11
		2012-13	1.00				
		2015-16	0.90				
21	Skill Realtors Private Limited	2011-12	20.00	Wadhawan Holding Private Limited	15.00	OCD	2011-12
		2012-13	107.50				
		2014-15	1.02				
22	Aahna Infracon Pvt. Ltd.(Aahna Mercant Pvt. Ltd.)	2009-10	125.00	Cloud Nine Realtors Private Limited	75.00	Investment in property	2009-10
				Cloud Nine Realtors Private Limited	0.25	Unsecured Loan	2009-10
				Makshi Trading Private Limited	0.85	Unsecured Loan	2009-10
				Marker Infracon Private Limited	1.08	Unsecured Loan	2009-10
23	Hireward Finco Private Limited	2011-12	94.10	RKW Construction Facility Management Private Limited	15.00	OCD	2011-12
				Seasaw Agrottrade Private Limited (Formerly known as "Orbit	24.00	OCD	

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
		2014-15	30.00	Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")			
24	Master Realtors Private Limited	2007-08	22.35	Wadhawan Holding Private Limited	22.10	Loans and Advance	2007-08
				Wadhawan Infrastructure And Developers Private Limited	0.53	Loans and Advance	2007-08
		2008-09	45.50	Wadhawan Infrastructure And Developers Private Limited	15.00	Loans and Advance	2008-09
				Wadhawan Retail Venture Private Limited	22.64	Loans and Advance	2008-09
				Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	5.50	Loans and Advance	2008-09
				Maxima Agrotrade Private Limited	1.01	Loans and Advance	2008-09
				Dheeraj Township Developers Private Limited	5.00	Loans and Advance	2008-09
				Ashiana Realtors Private Limited	20.00	Loans and Advance	2008-09
		2009-10	7.00				
		2010-11	38.00				
25	Emergence Realty Private Limited	2012-13	73.57				
		2013-14	23.00				
		2014-15	14.00	Wadhawan Realtors Private Limited	3.37	Preference Share	2014-15
26	Escalate Realtors Private Limited	2011-12	85.00	Resources Realty Private Limited	15.00	OCD	2011-12
				Wadhawan Consolidated Holdings Private Limited	9.00	OCD	2011-12
				Wadhawan Hospitality and Investments Private Limited	13.00	OCD	2011-12
				Wadhawan Infrastructure And Developers Private Limited	10.00	OCD	2011-12
				Wadhawan Retail Venture Private Limited	7.00	OCD	2011-12
		2012-13	14.00				

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
27	Stunner merchandising Private Limited	2011-12	95.10	Dheeraj Township Developers Private Limited	8.00	OCD	2011-12
				RKW Construction Facility Management Private Limited	25.00	OCD	2011-12
				Wadhawan Realtors Private Limited	16.25	OCD	2011-12
				Wadhawan Retail Venture Private Limited	6.00	OCD	2011-12
				Wadhawan Holding Private Limited	15.75	OCD	2011-12
		2012-13	1.00				
28	White Lion Multitrader Private Limited	2009-10	3.00	RKW Developers Private Limited	0.95	Equity shares	2009-10
				Golden Beach Hotels & Resorts Private Limited	5.10	Investment in property	2009-10
				Juhu Investments Private Limited	9.35	Investment in property	2009-10
		2010-11	80.55				
		2011-12	10.00				
29	Marker Infracon Private Limited	2009-10	72.50	Earnet Homes Private Limited	12.40	Equity Shares	2009-10
				Valancia Builders Private Limited	0.30	Equity Shares	2009-10
				Valancia Developers Private Limited	0.30	Equity Shares	2009-10
				RKW Developers Private Limited	0.95	Equity Shares	2009-10
				Ultra Space Developers Private Limited	5.00	Loans and Advance	2009-10
		2010-11	10.00				
		2013-14	0.75				
		2015-16	2.79				
30	Flyhigh Realtors Private Limited	2009-10	5.51	RKW Developers Private Limited	0.95	Equity Shares	2009-10
		2010-11	70.00				
31	Matrix Realtors Private Limited	2006-07	6.75	Wadhawan Hospitality and Investments Private Limited	6.78	loans and advances	2006-07
		2007-08	7.50				
		2008-09	0.75				
		2009-10	45.00	Wadhawan Holding Private Limited	29.28	loans and advances	2009-10

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
				Galaxy Infraprojects and Developers Private Limited	20.30	loans and advances	2009-10
		2010-11	12.50				
		2016-17	2.92				
3 2	Makshi Real Estate Developers Private Limited	2009-10	8.00	Sunblink Real Estate Private Limited	5.95	Investment in property	2009-10
				RKW Developers Private Limited	0.95	Equity Shares	2009-10
		2010-11	55.00	Golden Beach Hotels & Resorts Private Limited	45.00	Investment in property	2010-11
3 3	Ragini Real Estate Developers Private Limited	2009-10	13.00	RKW Developers Private Limited	0.80	Equity Shares	2009-10
				Golden Beach Hotels & Resorts Private Limited	3.00	Immovable Property	2009-10
				Starlight Hospitality Private Limited	9.80	Immovable Property	2009-10
		2010-11	5.00				
		2011-12	30.00	Golden Beach Hotels & Resorts Private Limited	9.00	OCD	2011-12
		2014-15	13.54				
		2015-16	0.09				
3 4	Ultratech Project Management Service Pvt Ltd	2008-09		Ashiana Realtors Private Limited	25.00	Loans and Advance	2008-09
				Dheeraj Township Developers Private Limited	30.00	Loans and Advance	2008-09
				Yardstick Developers Private Limited	14.00	Loans and Advance	2008-09
		2010-11	58.32				
3 5	Sunblink Real Estate Private Limited	2009-10	22.00	RKW Developers Private Limited	0.95	Equity shares	2009-10
				Juhu Investments Private Limited	9.36	Investment in property	2009-10
				Golden Beach Hotels & Resorts Private Limited	5.10	Investment in property	2009-10
		2012-13	35.00				
		2015-16	0.52				
3 6	Canary Hospitality Private Limited	2009-10	-	Coral Inn Private Limited	4.00	Equity Shares	2009-10

#	BBE (Column A)	Year of disbursement by DHFL to BBE in Column A	Amount disbursed by DHFL to BBE in Column A (INR In crores)	Investee co. (i.e, co. in which Column A co. / BBE has invested) (Column B)	Amount invested by Column A co. / BBE in Column B co./ Investee co. (INR In crores)	Type of investment	Year of Investment by Column A co. / BBE in Column B co. / Investee co.
				Wadhawan Consolidated Holdings Private Limited	8.04	Loans and Advance	2009-10
				Wadhawan Holding Private Limited	81.00	Loans and Advance	2009-10
				Wadhawan Retail Private Limited	8.50	Loans and Advance	2009-10
		2010-11	20.00				
		2011-12	20.00	Ashiana Realtors Private Limited	8.00	OCD	2011-12
				Wadhawan Holding Private Limited	3.00	OCD	2011-12
				Wadhawan Consolidated Holdings Private Limited	5.00	OCD	2011-12
				Hemisphere Infrastructure India Private Limited	2.00	Debentures	2011-12
		2012-13	10.00				
37	Grow more Events Promotions Private Limited	2014-15	50.00	Wadhawan Holding Private Limited	0.40	OCD	2014-15
				Queens Hospitality Private Limited	7.34	OCD	2014-15
38	Wadhawan Retail Ventures Private Limited	2010-11	44.46	Dewan Housing Finance Corporation Limited *	44.46	Equity Shares	2010-11
39	Silicon First Realtor Pvt.Ltd	2009-10	22.50	RKW Developers Private Limited	0.95	Equity Shares	2009-10
				Dallas Traders & Developers Private Limited	1.42	Loans and Advance	2009-10
				Golden Beach Hotels & Resorts Private Limited	10.00	Loans and Advance	2009-10
				RKW Developers Private Limited	1.98	Loans and Advance	2009-10
				Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	2.90	Loans and Advance	2009-10
	<b>TOTAL</b>		<b>5,662.44</b>		<b>2,299.09</b>		
* Funds returned to DHFL, hence they are not considered in the calculation of the amounts further invested by Bandra Book Entities							

64. From the above, I note that 48 entities received funds from 39 BBEs which had in turn received funds from DHFL. Such 48 entities are either forming part of the BBEs or

connected / related to the Promoters / Promoter Group Companies of DHFL which are not BBEs. The amount received by each of the said 48 entities is provided below:

**Table 12: List of 48 entities and the amounts received by them**

Sr. No.	Name of Company	INR In crores
	<b>PROMOTER AND CONNECTED ENTITIES WHICH ARE NOT BBEs</b>	
1	Wadhawan Holding Private Limited	523.23
2	Cloud Nine Realtors Private Limited	375.82
3	Kyta Advisors Private Limited (formerly known as Wadhawan Realtors Pvt. Ltd.)	132.69
4	Dheeraj Township Developers Private Limited	102.48
5	RKW Construction Facility Management Private Limited	96.96
6	Ashiana Realtors Private Limited	89.18
7	Wadhawan Infrastructure And Developers Private Limited	87.80
8	Golden Beach Hotels & Resorts Private Limited (Formerly known as Golden Beach Infracon Private Limited)	82.31
9	Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	45.89
10	Wadhawan Retail Private Limited	40.74
11	Resources Realty Private Limited	38.00
12	Yardstick Developers Private Limited	34.00
13	Wadhawan Consolidated Holdings Private Limited	32.66
14	Wadhawan Hospitality and Investments Private Limited	27.93
15	Galaxy Infraprojects and Developers Private Limited	24.90
16	Blue Star Realtors Private Limited	24.60
17	Juhu Investments Private Limited	21.44
18	RKW Developers Private Limited	17.19
19	Dheeraj Housing Pvt. Ltd.	10.72
20	Wadhawan Global Hotels & Resorts Private Limited	10.38
21	Queens Hospitality Private Limited	9.61
22	RK Wadhawan Institute for Universal Learning Private Limited	5.52
23	Gold Coin Hospitality Private Limited	4.54
24	Township Developers India Private Limited	2.65
25	Hemisphere Infrastructure India Private Limited	2.00
26	Silver Reed Hotels And Resorts Private Limited	1.85
27	Wadhawan Life Style Retail Private Limited	1.50
	<b>TOTAL (A)</b>	<b>1846.59</b>
	<b>BANDRA BOOK ENTITIES</b>	
28	Sahana Constructions Private Limited	183.64
29	Infill Retail Venture Private Limited (Formerly known as Wadhawan Retail Venture Private Limited)	53.72
30	Greentown Realtors Private Limited (formerly known as HDIL Leisures Private Limited)	24.72
31	Creatoz Builders Private Limited	20.37
32	Microgate Trading Company Private Limited	20.30
33	Teknopoint Trading Company Private Limited	20.27
34	Pawansut Dwellers Private Limited.	17.06
35	Darshan Developers Private Limited	15.00
36	Earnet Homes Private Limited	12.40
37	Starlight Hospitality Private Limited	9.80
38	Sunblink Real Estate Private Limited	5.95
39	Makshi Trading Private Limited	5.85
40	Ultra Space Developers Private Limited	5.00
41	Sigtia Constructions Private Limited	4.08
42	Coral Inn Private Limited	4.00
43	Dallas Traders & Developers Private Limited	1.42
44	Marker Infracon Private Limited	1.08
45	Maxima Agrotrade Private Limited	1.01
46	Scarlette Trading and Sevices Private Limited	0.97
47	Valancia Builders Private Limited	0.30
48	Valancia Developers Private Limited	0.30
	<b>TOTAL (B)</b>	<b>407.24</b>
	<b>GRAND TOTAL (A+B)</b>	<b>2,254.63</b>

65. From the MCA filings and submissions of the employees of Wadhawan group<sup>36</sup>, it is observed that the 48 companies to which the BBEs have transferred the funds received from DHFL are either other BBEs or other non-BBE companies which are directly/indirectly connected with the Promoters of DHFL. The details of connection of these 48 companies with promoters are as under.
66. 21 of the above 48 companies (Sr. No. 28 to 48 of Table 12 above), are BBEs and the connection of these companies with Promoters of DHFL has been explained at Table 4 above.
67. Examination of the MCA records of the remaining 27 Companies (Sr. No. 1 to 27 of Table 12 above), submissions of Mr. Sonpal Jain during his statement recording on October 13, 2022 and submissions to SEBI *vide* email dated October 15, 2022 and email dated June 07, 2014 of Noticee 1 to Noticee 2 show that they are connected to the Promoters.
- (i) 22 Companies share the same address - "4th Floor, HDIL Towers, Anant Kanekar Marg, Bandra - East Mumbai Maharashtra 400051 India". These companies include Promoter Companies of DHFL namely Wadhawan Holdings Private Limited, Infill Retail Venture Private Limited (Formerly known as Wadhawan Retail Venture Private Limited) and Wadhawan Consolidated Holdings Private Limited. In all these companies, Noticee 1 and Noticee 2 have been directors during the period from FY 2007-08 to FY 2018-19. 3 of these 22 Companies are Promoter companies of DHFL and 9 companies are subsidiary/associate/related party of the Promoter company. Wadhawan Holdings Private Limited has been disclosed as related party of DHFL in the annual report for FY 2007-08 to FY 2018-19. Further, from the MCA records (MGT-7) of Wadhawan Holdings Private Limited, it is noted

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<sup>36</sup> (i) Email submitted by Mr. Vijay Tambe dated September 30, 2022; (ii) Statement of Mr. Ashwin Kumar Chaturvedi recorded before Investigating Authority SEBI dated August 24, 2022; (iii) Statement of Mr. Bhagwat Swarup Sharma before Investigating Authority SEBI dated August 03, 2022; (iv) Statement of Mr. Placid Jacob Naronha before Investigating Authority SEBI dated August 02, 2022; (v) Statement of Mr. Sanket Hemant Pawaskar before Investigating Authority SEBI dated August 03, 2022; (vi) Statement of Mr. Sonpal Jain before Investigating Authority SEBI dated October 13, 2022; (vii) Email of Mr. Amit Sawhney dated September 26, 2022.

that Noticee 1, Noticee 2 and Ms. Aruna Wadhawan (mother of Noticee 1 & Noticee 2) are its Promoters as on March 31, 2018.

The details of connection are tabulated as under:

**Table 13: Details of connection of the aforesaid 22 companies**

#	Name of Company	Common Addresses	Promoter Entity/Related Party of DHFL	Related Party/Subsidiary/Associate of Wadhawan Holdings Pvt. Ltd	Noticee No. 1 & 2 are Past Directors
1	Wadhawan Holding Private Limited	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
2	Kyta Advisors Private Limited (formerly known as Wadhawan Realtors Pvt. Ltd.)	<input type="checkbox"/>			<input type="checkbox"/>
3	Dheeraj Township Developers Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
4	RKW Construction Facility Management Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
5	Ashiana Realtors Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
6	Wadhawan Infrastructure And Developers Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
7	Golden Beach Hotels & Resorts Private Limited (Formerly known as Golden Beach Infracon Private Limited)	<input type="checkbox"/>			<input type="checkbox"/>
8	Seasaw Agrotrade Private Limited (Formerly known as "Orbit Agrotrade Private Limited" and "Wadhawan Agrotrade Private Limited")	<input type="checkbox"/>			<input type="checkbox"/>
9	Wadhawan Retail Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
10	Resources Realty Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
11	Yardstick Developers Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
12	Wadhawan Consolidated Holdings Private Limited	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
13	Wadhawan Hospitality and Investments Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
14	Juhu Investments Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
15	RKW Developers Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
16	Wadhawan Global Hotels & Resorts Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
17	Queens Hospitality Private Limited	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
18	RK Wadhawan Institute for Universal Learning Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
19	Gold Coin Hospitality Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
20	Township Developers India Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
21	Silver Reed Hotels And Resorts Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
22	Wadhawan Life Style Retail Private Limited	<input type="checkbox"/>			<input type="checkbox"/>
	<b>TOTAL</b>	<b>22</b>	<b>3</b>	<b>9</b>	<b>22</b>

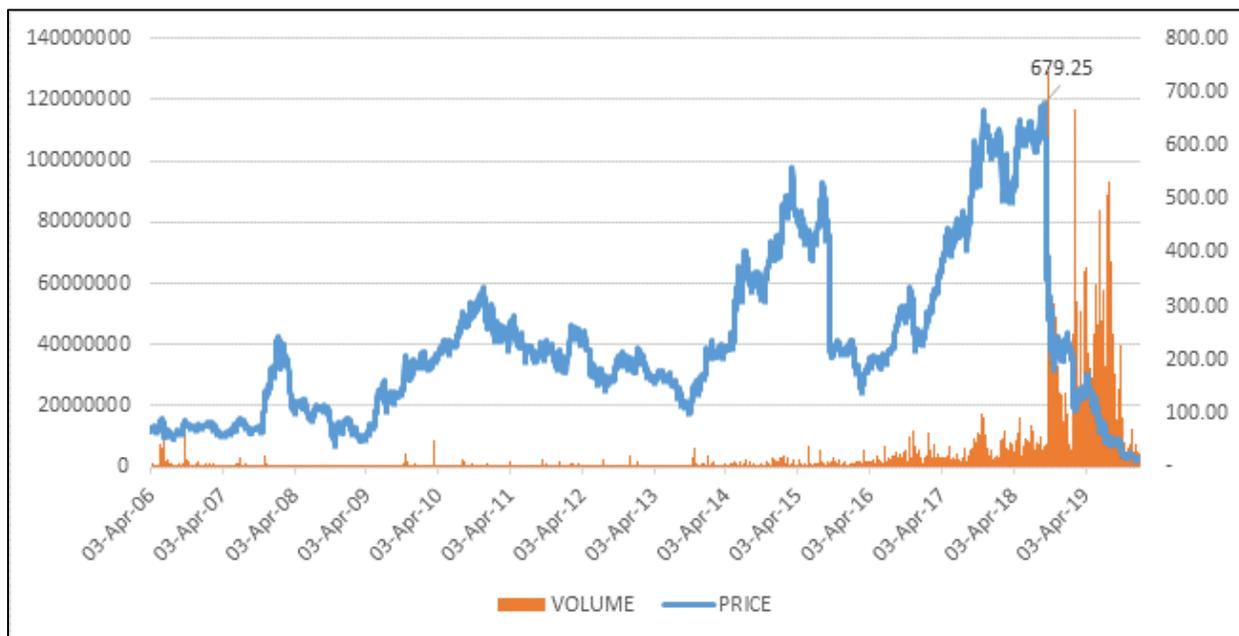
- (ii) Balance 5 companies are connected to the Promoters of DHFL in the following manner:

**Table 14: Connection of 5 companies with Promoters of DHFL**

Name of Company	Details of Connection
Cloud Nine Realtors Private Limited	Current directors of Cloud Nine Realtors are Mr. Amit Sawhney and Mr. Sunny Suresh Bathija.  Mr. Amit Ramesh Sawhney is an employee of RKW Developers Pvt. Ltd. and was made director in this company by Noticee 2. Mr. Sunny Suresh Bathija is brother-in-law of Noticee 2.
Blue Star Realtors Pvt. Ltd.	Noticee 4 (erstwhile Promoter of DHFL) was director in this company till April 26, 2018. Noticee 4 is related to Noticee 1 & Noticee 2 as he is their cousin as stated in the Interim Order.
Hemisphere Infrastructure India Private Limited ("HIPL")	From the shareholding pattern of HIPL as on March 31, 2020, it is observed that 100% shareholding of HIPL as on March 31, 2020 is held by 14 BBEs. The connection of the BBEs with Promoters of DHFL is explained at <b>Table 4</b> above.
Dheeraj Housing Private Limited (Now known as Dheeraj Horizon Private Limited)	Noticee 1 and Noticee 2 have been past directors in this company. Further, in email dated June 07, 2014, the name of "Dheeraj Housing" appears among the list of companies of which directors are controlled by Noticee 1 and Noticee 2.
Galaxy Infraprojects and Developers Private Limited ("GIDPL")	From the shareholding pattern of GIDPL as on March 31, 2020, it is observed that 100% shareholding of GIDPL as on March 31, 2020 is held by 13 BBEs. The connection of the BBEs with Promoters of DHFL is explained at <b>Table 4</b> above.

**Conclusion – Whether financial statements were misstated and investors defrauded?**

68. The price volume chart of the scrip during the Investigation Period is given below:



69. It is observed that price of the share touched a high of INR 679.25 on September 03, 2018 and started falling thereafter. It continuously fell down and touched a low of INR 14 on December 12, 2019. The price movement of the share price is tabulated below:

**Table 15: Price movement of share price of DHFL**

Particulars	Price (In INR)	Date	Volume (No. of Shares)
Open	65.65	03.04.2006	171087
High	679.25	03.09.2018	6716170
Low	14.00	12.12.2019	971879
Close	16.90	31.12.2019	4465353

*(Source: NSE website)*

70. The share price of the Company, fell to a low of INR 153.55 on January 30, 2019 i.e., down by 16.95 % from previous day close of INR 184.90.
71. It is observed that if the software enabled fictitious interest income had not been accounted for, the Company would have in fact recorded a loss during the period FY 2007-08 to 2015-16 and FY 2018-19 (refer table below).

**Table 16: Percentage of Interest Income Generated from Disbursals to Bandra Book Entities Vis-A-Vis Total Reported Income for FY 2007-08 To FY 2018-19***(INR In crores)*

Year	Reported PBT	Total Interest Bandra Book	PBT excl. Bandra Books generated interest income	Total Reported Interest Income	% of interest generated through Bandra Books to total interest income reported in the financial statements
	A	D	E= A-D	F	G=D/F *100
2007-08	105.72	216.01	-110.29	520.52	41%
2008-09	124.11	253.91	-129.8	689.08	37%
2009-10	202.19	367.09	-164.90	990.55	37%
2010-11	341.48	457.69	-116.21	1,449.35	32%
2011-12	398.36	615.78	-217.42	2,467.76	25%
2012-13	610.68	713.60	-102.92	4,122.64	17%
2013-14	735.11	1,114.46	-379.35	4,965.58	22%
2014-15	943.04	1,429.09	-486.05	5,978.96	24%
2015-16	1,102.17	1,751.09	-648.92	7,295.10	24%
2016-17	3,371.82	1,453.12	1,918.70	8,851.76	16%
2017-18	1,701.02	1,247.67	453.35	9,336.34	13%
2018-19	-1,164.98	1,234.17	-2,399.15	12,307.84	10%
<b>TOTAL</b>	<b>8,470.72</b>	<b>10,853.68</b>		<b>58,975.48</b>	<b>Average: 25%</b>

**Source:***The Bandra Books generated interest income (B) figure:**FY 2006-07 data not available**For FY 2007-08 to FY 2018-19: Month end JV entry provided by Company vide letter December 03, 2021 and December 12, 2022.**Reported PBT (A) – Standalone Profit & Loss of DHFL for respective FY (BSE Website).*

72. The loans actually disbursed to BBEs during the period FY 2007-08 to FY 2018-19, in reality, amounted to INR 11,309.12 crores, but was wrongly recorded (*enabled by the Accounting Software*) as INR 21,995.07 crores.
73. From the FoxPro ledgers available and the Bandra Book Loan dump provided by the Company *vide* email dated June 10, 2021, it was observed that using the “disbursement distribution” code of Foxpro for FY 2007-08 to FY 2018-19, amount of Rs 21,995.07 crores was recorded as 2,24,491 small ticket size home loans of average ticket size of INR 0.10 crores. The amount also corresponds with the journal entry passed at the end of every month in Synergy as provided by the Company *vide* letter dated December 12, 2022.
74. Disbursement of INR 21,995.07 crores was recorded in the books of DHFL against the actual disbursement of INR 11,309.12 crores to BBEs during FY 2007-08 to FY 2018-19. This also allowed DHFL to show fictitious interest income of INR 10,853.68 crores (refer Table 16 above).
75. During the FY 2006-07 to FY 2018-19, DHFL has mobilized funds through multiple sources.

**Table 17: Funds raised by DHFL during 2006-07 to FY 2018-19**

(Amt. in INR Crores)

Funds Mobilised	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Grand Total
Perpetual Debt						125	25	36			475	500		1,161
Public NCD											14,000		10,945	24,945
Secured Private NCD	77	-	200	325	785	980	1,368	2,058	4,163	6,483	2,448	959	5,028	24,874
Subordinated Debt	35	-	15	71	550	75	311	85	-	-	400	-	1,000	2,542
Masala Bonds													1,000	1,000
ECB								418	311		133	784	1,596	3,242
Securitisation						1513	620	2,616	2,546	3,601	5,881	11,495	18,412	46,684
Bank Loans					-	4045	10,681	7,695	5,475	6,905	8,975	11,500	2,925	58,201
Public Deposit			20	187	430	617	1,414	1,552	2,273	3,286	3,876	6,454	4,780	24,889
Equity Shares (Crore)		78	-	301.97	491.08	308.77	5.79	5.80	813.77	3.05	0.12	1.72	0.19	2,010

(Source: DHFL Reply October 19, 2022)

76. From the table above, it is noted that DHFL raised INR 24,945 crores by way of issue of Public NCDs during the FY 2006-07 to FY 2018-19. Funds raised during the FY 2006-07 to FY 2018-19 by way of equity shares amounting to INR 2,010 crores out of which, INR 1,714.68 crores was by way of allotment to Qualified Institutional Buyers (QIBs)<sup>37</sup> (INR 225.77 crores in FY 2009-10, INR 375 crores in FY 2010-11, INR 304.29 crores in FY 2011-12 and INR 809.61 crores in FY 2014-15). The company has also raised, INR 58,201 crores from the Banks as “Loans” during FY 2006-07 to FY 2018-19.
77. The NCD issues during FY 2016-17 and 2018-19 had received a AAA rating from CARE. Rating parameters used for the financial sector (*as can also be seen from the CARE Rating website*) *inter alia* includes growth ratios, asset quality ratios, liquidity ratios etc. These ratios are calculated based on financial statements published by the Company. Evidently, the Company’s misleading picture of growth and profitability year-on-year, *inter alia*, enabled it to secure a higher credit rating in their debt issues, representing low credit risk, thereby inducing investors to participate in the debt issues of the Company.
78. During FY 2019-20, I note that 21 BBEs amalgamated into Township Developers India Pvt. Ltd. (TDPL), 4 BBEs amalgamated into Shishir Realty Private Ltd., and 2 BBEs amalgamated into Sunblink Real Estate Pvt. Ltd. From the MCA records, I note that Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) were past directors in TDPL and Shishir Realty Pvt Ltd. Further, Mr. Placid Naronha, one of the directors of TDPL, in his statement<sup>38</sup> recorded on August 02, 2022, has stated that he was appointed as a director in the said company by Noticee 2 and all the affairs of TDPL were managed by Noticee 2. I also note that by passing journal entries in August, 2019, the BBE loan balance amounting to INR 11,026.78 crores was transferred by DHFL to five borrowers of the wholesale loan book of DHFL (Shishir Realty Pvt. Ltd., Sunblink Real Estate Pvt. Ltd., TDPL, Darshan Developers Pvt. Ltd. and Sigtia Constructions Pvt. Ltd.). In this

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<sup>37</sup> Rest equity issuance was by way of:

- (i) Preferential allotment to Promoters
- (ii) Conversion of OCPS
- (iii) Conversion of Warrants
- (iv) Preferential allotment to M/s. Caledonia Investment PLC
- (v) Employee stock option scheme
- (vi) Equity shares allotted pursuant to amalgamation (in 2013)

<sup>38</sup> There was no request from any of the noticees for cross examination of Placid Naronha.

regard, the rationale given to the bankers of DHFL as mentioned in paragraphs 15 and 16 of the minutes of the meeting of the consortium of banks held on September 25, 2019, reads as follows:

*“15. Lenders raised concerns on the loan outstanding (Rs. 11,531 crore) being substantially higher than the expenses incurred by borrower entities. DHFL officials explained that the loans given by the Company to original entities have been impaired and hence the Promoters of DHFL have brought in their Group assets and assigned / attached these assets for servicing the liabilities to the extent that their cashflows permit.....”*

*16. The above assigned/ attached assets comprises of three large land parcels near Pune, spread across 14 villages measuring 1,200 acres.”*

79. The process notes of one such borrower promoter company, TDPL titled “Approval for Security Perfection” bears the signature of Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) and includes the names of 13 BBEs to which INR 3,072 crores was granted by DHFL. The process note reads as follows:

*“During the course of business and as part of home loans, subvention schemes were agreed by DHFL with various developers for their upcoming projects with a view to source retail home loans. Retail home loans were to be scouted by these developers who were to be given loans by DHFL for acquiring residential units in their projects. The related projects could not take off due to various reasons and therefore the loans given in these projects are left without sufficient security.*

*The developer companies (listed as under), which received funds on account of retail borrowers' loans under subvention arrangement, are being acquired/ merged with the incumbent company named Township Developers India Limited. Upon acquisition/merger, Township Developers India Limited would take over the liability of existing developers and offer its Project along with the cash flows arising from it, as a security towards the outstanding liability. The cash flows from the incumbent project would be then utilized to repay the liabilities being taken over it. With this arrangement, loans given under subvention scheme would get consolidated into a loan facility to Township Developers India Limited and the same would be secured by way of tangible security duly backed by a viable project.”*

Thus, from the above, the diversion through BBE loans appear to have been serviced by Promoters/ Promoter group companies, some of which have entered insolvency proceedings (TDPL, Sunblink, Sigtia and Darshan Developers Pvt. Ltd.). Insolvency proceedings being initiated against borrower entities of DHFL, who were supposed to bring in assets to service the BBE loans, appears to be an afterthought to create an appearance of repayment and viability, while ultimately defaulting through insolvency to evade liabilities. This superficial servicing masks the true non-performance of loans, which were in any case mischaracterised for long as Retail Housing Loans, and creates a façade that obligations would be met. Such conduct of Noticees 1 and 2 has misled the lenders, creditors and regulators.

80. In totality, the above exercise carried out by DHFL during the FY 2007-08 to FY 2018-19 has resulted into the following misrepresentation of the financial statements:

- a. Misrepresenting INR 14,040.50 crores unsecured loan disbursement to 87 BBEs as “Housing Loans” in the Annual Report as of March 31, 2019 even though they were not housing loans.
- b. By using “due disbursement” code in Foxpro, fictitious home loans with no actual outflow were recorded, which has led to inflation of the loan disbursed by the Company during the FY 2007-08 to FY 2018-19, while allowing for fictitious booking of interest income.
- c. Recording interest income received from 87 BBEs by passing book entries for FY 2007-07 to FY 2018-19 has resulted into inflation of interest income and profit in the financial statements for the said years by INR 10,853.68 crores

81. Thus, it can be concluded that DHFL had misrepresented its financial statements in a material manner, by misrepresenting the money siphoned off to 87 BBEs as fictitious home loan accounts. Further, DHFL had recorded that it received an interest income amounting to INR 10,853.68 crores from 87 BBEs which was infact not received, and therefore, this amounts to a very material misrepresentation of its financial statements. These misrepresented financial statements, were used by the Company to raise funds

from debenture holders, QIBs, banks, etc. during the Investigation Period. This act operated as a device /scheme / artifice to deceive and defraud the investors dealing in the equity / debt of DHFL. Further, by publishing misrepresented financial statements, the market price of the security was affected, resulting in investors being effectively misled, which acted as fraud on the investors and other stakeholders including banks and financial institutions who financed the Company.

82. Hence, the findings explained above show that the financial statements of the Company were fraudulently misrepresented and did not give a true and fair view of the affairs and financial position of the Company. Further, the funds and assets of the Company was diverted/siphoned off. This has resulted into violation of the following by DHFL:

- (i) Regulations 3 (b), (c), (d) & 4 (1), 4(2) (f), (k) and (r) of PFUTP Regulations read with Section 12A(a), (b), (c) of the SEBI Act;
- (ii) Regulations 4(1)(a), (b), (c), (g), (h), (j), 4(2)(e)(i), 33(1) (a), (c) and 48 of LODR Regulations; and
- (iii) Clause 41(l)(a) of Erstwhile Listing Agreement.

**Issue II:** Whether DHFL had violated related party transaction related regulations?

83. The SCN alleges that DHFL violated the mandate under Listing Agreement and LODR Regulations to seek prior approval of the audit committee for the related party transactions (“RPT”) it entered into. This mandate was inserted in clause 49 (VII) (D) of the Listing Agreement and regulation 23(2) of LODR Regulations with effect from October 01, 2014 and January 21, 2016, respectively. The RPT referred to in the SCN are the loans extended to BBEs which are connected to/controlled by the promoter group of DHFL. The relevant extracts of clause 49 (VII) (D) of the Listing Agreement and regulation 23(2) of LODR Regulations are reproduced below for reference:

**“Clause 49 (VII) (D) of the Listing Agreement**

*All Related Party Transactions shall require prior approval of the Audit Committee.*

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

....

**Regulation 23(2) of LODR Regulations**

*(2) All related party transactions shall require prior approval of the audit committee:*

”

84. As has already been established in the foregoing paragraphs of this Order, all 87 BBEs were connected to DHFL or its promoter group and some of the BBEs (numbering 83)<sup>39</sup> were controlled by DHFL’s promoter group. The question is then whether this fact would result in the BBEs being regarded as ‘related party’ for the purpose of the Listing Agreement/LODR Regulations. The definitions of ‘related party’ in Listing Agreement and LODR Regulations are as follows:

**“Listing Agreement**

Clause 49(VII) states the following:

*B. For the purpose of Clause 49 (VII), an entity shall be considered as related to the company if:*

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or*
- (ii) such entity is a related party under the applicable accounting standards.*

**LODR Regulations**

**2. Definitions**

**(1)**

**(zb)** *“related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards”*

85. Since both the aforesaid provisions rely on the definitions in Companies Act, 2013 and the accounting standards, the relevant provisions are reproduced below for reference:

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<sup>39</sup> Since Kapil and Dheeraj Wadhawan were appointing employees of Wadhawan Group as directors & auditors in BBEs- such BBEs were controlled by them. There were 82 BBEs where KW & DW controlled composition of directors and 4 BBEs (including 3 overlapping from 82 earlier mentioned) where they appointed auditors. Hence, 83 BBEs were controlled by them.

## **“Companies Act, 2013**

Section 2(76) of the Companies Act, 2013 defines “related party” as follows as

“Related party”, with reference to a company, means—

.....

- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;”

## **AS 18**

“Related Party Disclosures” defines related parties as follows: *“Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.”*

## **Ind AS 24**

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a part of the reporting entity.

(b) An entity is related to a reporting entity if any of the following condition applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) *The entity is controlled or jointly controlled by a person identified in (a).*

(vii) *A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).*

(viii) *The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.*

**A related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

86. As can be seen in the definitions above, the criteria to decide whether one entity is related to another is whether it exerts control over the other. Since the foregoing paragraphs of this Order has already determined that 83 BBEs were controlled by the promoter group of DHFL, evidently those BBEs are related parties to DHFL. From FY 2014-15 onwards, based on reply of the Company *vide* letter dated December 03, 2021, it is observed that, through 444 transactions, DHFL has disbursed funds to the tune of INR 3,423.92 crores to the BBEs. Yet, none of the 83 BBEs were disclosed as related parties by DHFL. Also I note from the audit committee minutes made available before me that approval of the audit committee members was not obtained for the said BBE transactions. Therefore, I find that DHFL has violated clause 49 (VII) (D) of the amended Listing Agreement and regulation 23(2) of LODR Regulations.

**Issue III:** If the answer to I. and II. above is in affirmative, whether Noticees 1 to 6 are responsible for the violations of DHFL?

87. As mentioned earlier, basis the application filed by RBI, CIRP was admitted against DHFL on December 03, 2019. On June 07, 2021, the resolution plan of Erstwhile Piramal Capital & Housing Finance Limited ("**Erstwhile Piramal**") was approved. On September 30, 2021, Erstwhile Piramal merged into and with DHFL such that DHFL remained as the continuing legal entity. On November 03, 2021, the name of DHFL was changed to "Piramal Capital and Housing Finance Limited". In this regard, Section 32A of the Insolvency and Bankruptcy Code, 2016 states as follows:

*“Notwithstanding anything to the contrary contained in this Code or any other law for the time being in force, the liability of a corporate debtor for an offence committed prior to the commencement of the corporate insolvency resolution process shall cease, and the corporate debtor shall not be prosecuted for such an offence from the date the resolution plan has been approved by the Adjudicating Authority under section 31, if the resolution plan results in the change in the management or control of the corporate debtor....*

*Provided further that an “officer who is in default”, as defined in clause (60) of section 2 of the Companies Act, 2013, or was in any manner in-charge of, or responsible to the corporate debtor for the conduct of its business or associated with the corporate debtor in any manner and who was directly or indirectly involved in the commission of such offence as per the report submitted or complaint filed by the investigating authority, shall continue to be liable to be prosecuted and punished for such an offence committed by the corporate debtor notwithstanding that the corporate debtor’s liability has ceased under this sub-section.”*

In view of the above, it appears that the SCN was not issued against DHFL but against the Noticees in the present matter. The allegations made against the Noticees can be categorised into two types: (a) direct liability for the violations committed by them; and (b) vicarious liability for the violations committed by DHFL. It is a settled principle of law that, though a company is a separate entity, it acts and performs its duties through its board of directors and KMPs. Under the SEBI Act, the concept of “vicarious liability” is incorporated in section 27 of the said act. Under section 27 of the SEBI Act, vicarious liability for contravention of the provisions of SEBI Act is fastened *inter alia* on persons who are in charge of or responsible for the conduct of business of a company. Thus, the company as well as every person who is in charge or responsible for the company at the time of violation, shall be deemed to be guilty of the violation. This prompts us to investigate who was in charge of or responsible for the affairs of DHFL and what role, if any, did they play in the fraud.

88. The designation held by the Noticees in DHFL and their respective tenures are as under:

**Table 18: Designation and tenure of Noticees in DHFL**

Noticee No.	Name of Noticee	Designation/ Role/ Nature of Noticee w.r.t. SIL	Appointment date	Cessation date, if any
1	Mr. Kapil Wadhawan	Vice Chairman & Managing Director	01.04.2006	27.07.2009
		Chairman & Managing Director	28.07.2009	20.11.2019
2	Mr. Dheeraj Wadhawan	Non-Executive Director	12.05.2008	20.11.2019
3	Mr. Rakesh Wadhawan	Non-Executive Chairman	01.04.2006	28.07.2009
4	Mr. Sarang Wadhawan	Non-Executive Director	01.04.2005	28.07.2009
5	Mr. Harshil Mehta	CEO	17.01.2015	31.08.2017
		Joint Managing Director & CEO	01.09.2017	13.02.2019
6	Mr. Santosh Sharma	CFO	30.04.2014	16.03.2019

89. The attendance of Noticees in board meetings of DHFL from FY 2006-2007 to FY 2018-2019 is as under:

**Table 19: Attendance of Noticees in board meetings of DHFL from FY 2006-2007 to FY 2018-2019**

Noticee	FY-2006-07		FY-2007-08		FY-2008-09		FY-2009-10		FY-2010-11		FY-2011-12		FY-2012-13		FY-2013-14		FY-2014-15		FY-2015-16		FY-2017-18		FY-2018-19			
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A		
Kapil Wadhawan	4	4	7	7	7	7	5	5	6	6	5	5	4	4	5	5	6	6	6	6	7	6	6	5	9	8
Dheeraj Wadhawan	N	N	N	N	7	2	5	2	5	5	5	5	4	4	5	5	6	6	6	6	7	6	6	3	9	3
Rakesh Wadhawan	4	3	7	5	7	5	5*	1	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Sarang Wadhawan	4	4	7	4	7	2	5	0	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

H- Held, A – Attended  
NA: Not applicable

\*\*2 meetings held before he resigned from which 1 meeting was attended by him.

90. The Noticees who were signatory to financial statements and / or CEO / CFO certification is provided below:

**Table 20: Signatories to financial statements and CEO / CFO certificates of DHFL**

Noticee	FY-2006-07		FY-2007-08		FY-2008-09		FY-2009-10		FY-2010-11		FY-2011-12		FY-2012-13		FY-2013-14		FY-2014-15		FY-2015-16		FY-2017-18		FY-2018-19			
	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C		
Kapil Wadhawan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	N	Y	Y
Dheeraj Wadhawan	N	N	N	N	N	N	N	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Rakesh Wadhawan	Y	N	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Noticee	FY-2006-07		FY-2007-08		FY-2008-09		FY-2009-10		FY-2010-11		FY-2011-12		FY-2012-13		FY-2013-14		FY-2014-15		FY-2015-16		FY-2016-17		FY-2017-18		FY-2018-19			
	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C	F	C
Sarang Wadhawan	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Harshil Mehta	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y	Y	Y	Y	N	N
Santosh Sharma	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N

FS: Financial Statements, CC: CEO / CFO certification  
NA: Not applicable  
Y: Yes  
N: No

91. The details of Noticees who had attended finance committee meetings is set out below:

**Table 21: Attendance of Noticees at finance committee meetings of DHFL**

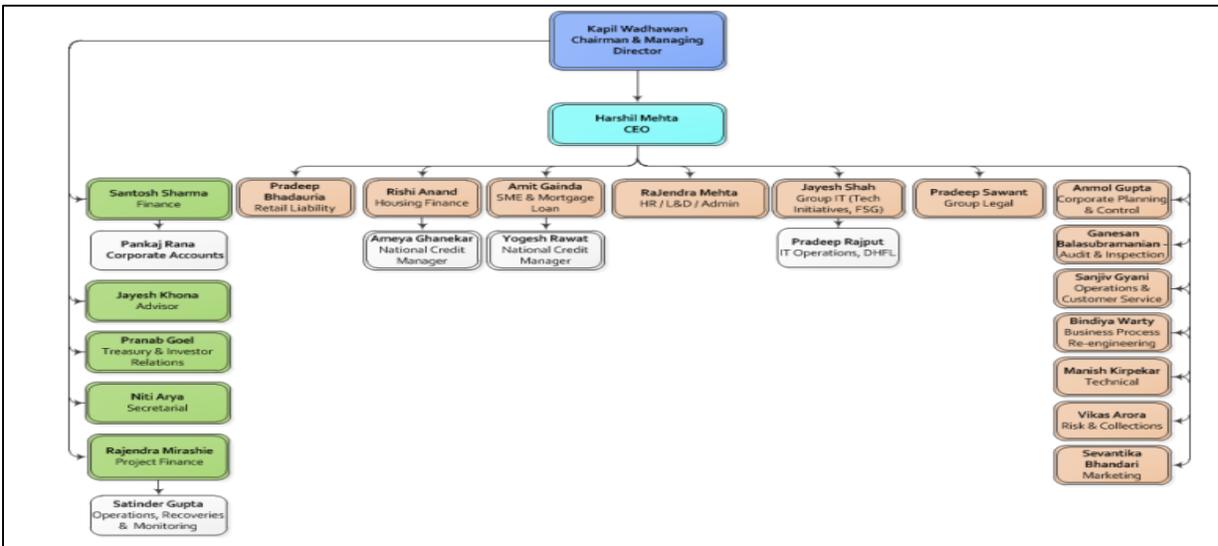
Noticee	FY-2006-07		FY-2007-08		FY-2008-09		FY-2009-10		FY-2010-11		FY-2011-12		FY-2012-13		FY-2013-14		FY-2014-15		FY-2015-16		FY-2016-17		FY-2017-18		FY-2018-19			
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Kapil Wadhawan	1	3	1	1	1	1	1	1	2	2	2	2	2	2	2	2	3	3	3	3	3	3	2	2	2	2	2	2
Dheeraj Wadhawan	N	N	N	N	N	N	1	1	2	2	2	2	2	2	2	2	2	2	3	3	3	3	2	2	2	2	2	2
Rakesh Wadhawan	1	1	1	1	1	1	1	1	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Sarang Wadhawan	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

H- Held, A – Attended  
NA: Not applicable

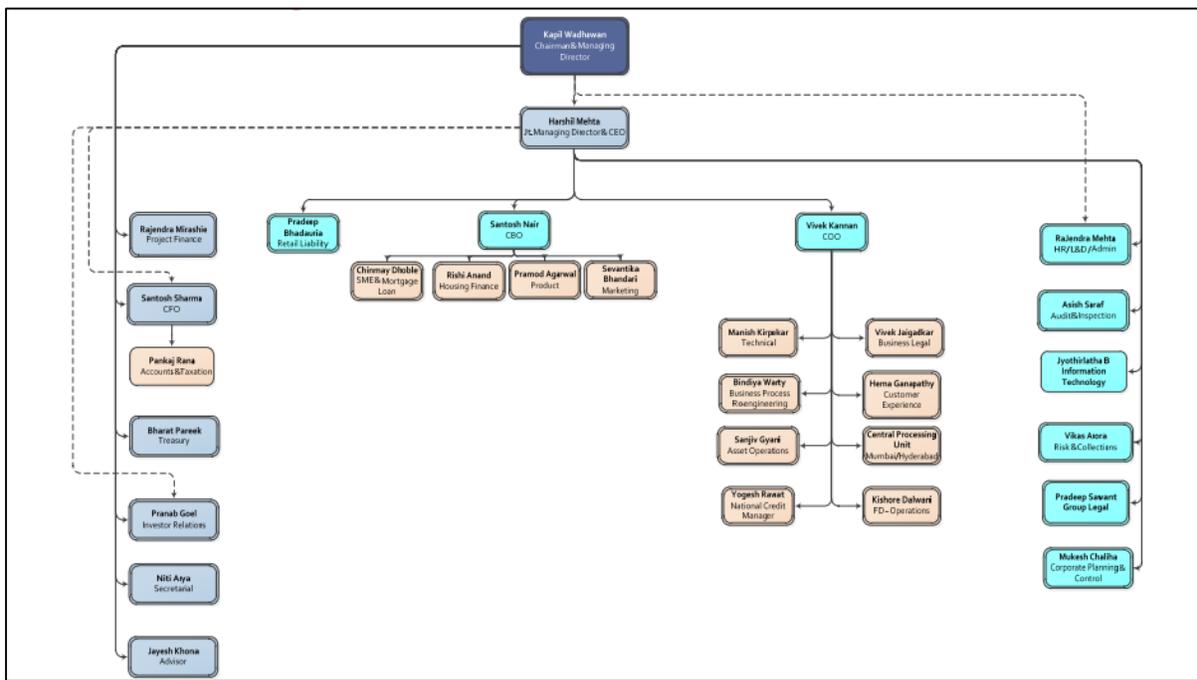
**Role of Mr. Kapil Wadhawan (Noticee 1), Chairman and Managing Director and Mr. Dheeraj Wadhawan (Noticee 2), Non-Executive Director**

92. Mr. Kapil Wadhawan (Noticee 1) has been a Promoter of DHFL since 1997. He was the Vice Chairman and Managing Director of DHFL from April 01, 2006 to July 27, 2009 and Chairman and Managing Director from July 28, 2009 to November 20, 2019. He had attended 74 meetings out of the total 77 board meetings of DHFL held between 2006 to 2019. The organisation structure received from DHFL vide letter dated December 03, 2021 shows that Mr. Kapil Wadhawan was at the top of the corporate hierarchy at DHFL and all the vertical heads were reporting to him directly or through the CEO. The organization structure is reproduced below:

**Image 12: Organization structure of DHFL as on March 31, 2017**



**Image 13: Organization structure of DHFL as on March 31, 2018**



93. Mr. Kapil Wadhawan (Noticee 1) was a signatory to all the financial statements during the aforesaid period. Further, he had also signed CEO / CFO certification for majority of the years forming part of the investigation period. He had also attended most of the finance committee meetings during the aforesaid years. Role of finance committee *inter alia* included decisions pertaining to borrowing funds for the Company, opening of bank

account, granting approval of loans upto a particular threshold to any person, firm or body corporate at any time or from time to time, etc<sup>40</sup>.

94. Mr. Dheeraj Wadhawan (Noticee 2) was the Promoter of DHFL during the period FY 2006-07 to FY 2018-19. He joined the board as a Non-Executive Director on May 12, 2008 and continued until November 20, 2019. He had attended 47 meetings out of the 65 board meetings held during his tenure. He had also signed financial statements beginning with FY 2010-11 until FY 2018-19. He had also attended 258 out of the 267 finance committee meetings held during his tenure.

*Approval for disbursements to BBEs*

95. As detailed earlier in this Order, Noticee 1 approved transfer of monies, in the guise of 'loans', to the BBEs. To illustrate this, an email dated June 30, 2014 has been discussed earlier in this Order. Screenshot of the email is reproduced below for reference:

***[Page intentionally left blank]***

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<sup>40</sup> Annual Report of DHFL for the year 2007-08.

**Image 14: Email dated June 30, 2014 for release of funds to Aqua Realty Pvt. Ltd.  
Marvel Township Pvt. Ltd.**

On 30-Jun-2014, at 2:25 am, "Sonpal Jain" <[sonpal.jain@dheerajrealty.com](mailto:sonpal.jain@dheerajrealty.com)> wrote:

Dear Sir,

As advised, we are putting up the request for release of funds today ( 200 Cr) for payment w.r.t. Kurla Property. Kindly approve.

**Company Name : Aqua Realty Pvt. Ltd.** . – Disburse Rs.100/- cr  
Account No. : 315601010036772  
Bank Name : Union Bank  
IFSC Code : UBIN0531561  
Branch : Hill Road, Bandra

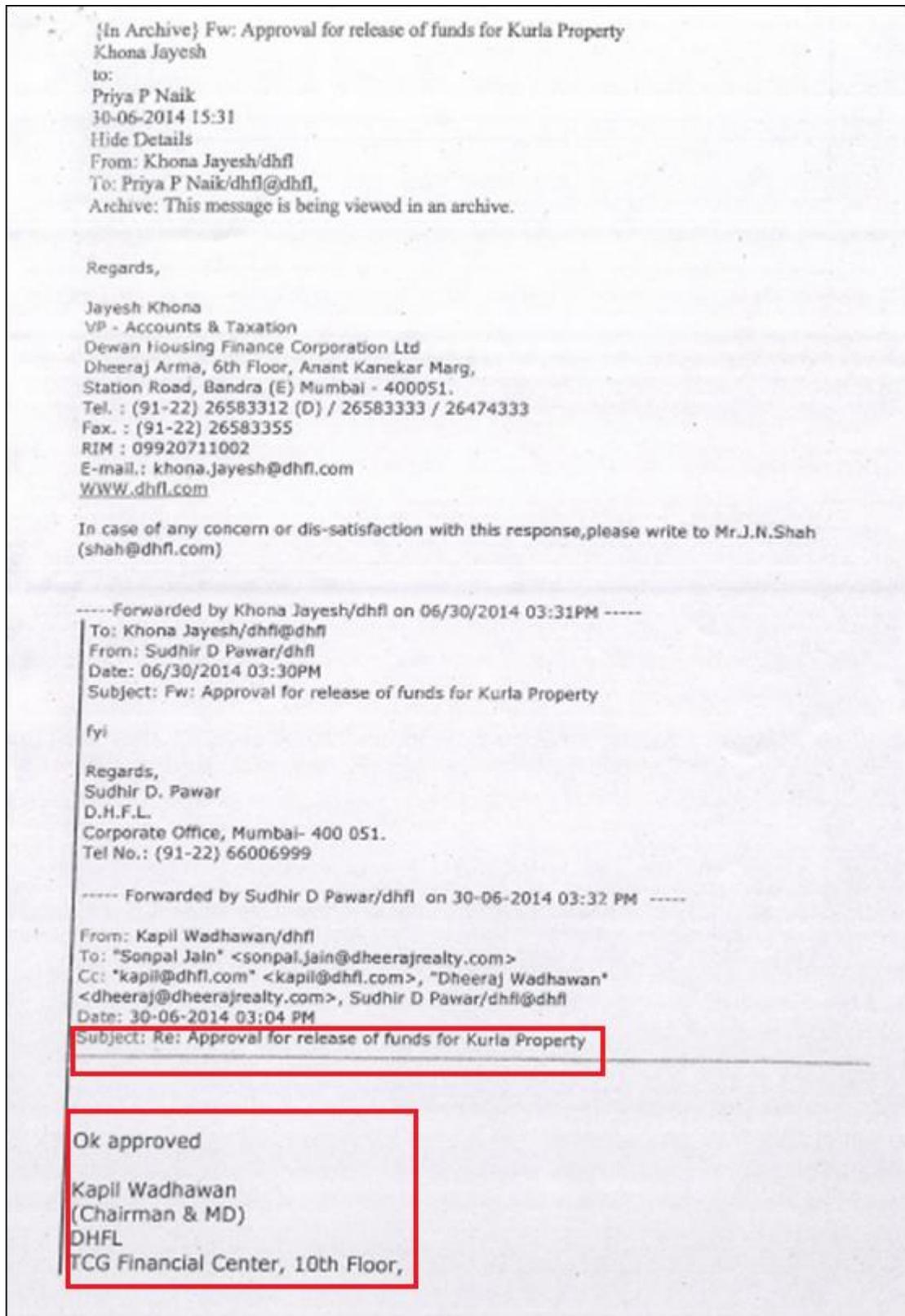
**Company Name : Marvel Township Pvt. Ltd.** . – Disburse Rs.100/- cr  
Account No. : 315601010036738  
Bank Name : Union Bank  
IFSC Code : UBIN0531561  
Branch : Hill Road, Bandra

Regards,

Sonpal Jain  
Asst. Vice President - Accounts & Finance

DHEERAJ REALTY | TCG Financial Centre, 9<sup>th</sup> Floor, BKC, Bandra East, Mumbai  
T: +91 22 66369109  
M: +91 9619168005  
[www.dheerajrealty.com](http://www.dheerajrealty.com)

Image 15: Approval for release of funds pursuant to email dated June 30, 2014



96. An email dated November 27, 2013, sent by Mr. Satish Kotian to Mr. Kapil Wadhawan illustrates the latter's active involvement and knowledge of the 'Bandra Branch' related activities. The last slide of the presentation is reproduced below for reference:

**Image 16: "Bandra" slide from presentation sent by Mr. Satish Kotian to Noticee 1 on November 27, 2013 by email**



A sample email dated June 30, 2014 and the transactions emanating from the said email have been explained in detail in the said paragraphs.

97. Mr. Sonpal Jain<sup>41</sup>, Head of Accounts & Finance of RKW Developers Pvt. Ltd. (a Promoter Group Entity) in response to the question - "*Who authorized these payments? Explain the*

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<sup>41</sup> There was no request from any of the noticees for cross examination of Sonpal Jain.

process for the loans disbursed”, posed by SEBI’s Investigating Authority, has responded as follows:

“Mr. Krieshan Grover<sup>42</sup> used to co-ordinate with Mr.Kapil Wadhawan and Mr.Dheeraj Wadhawan for various fund requirements for the entire Wadhawan Group. Based on their discussion, Mr.Krieshan Grover used to tell either me or Ms.Sayali Shirolkar, Hemant Bhatia or Sangeeta Jani to send email to him or to Shri Ramratnam (DHFL Credit Head) for fund disbursement in any of the shell companies.

Thereafter, they used to send email to Mr.Kapil Wadhawan for his approval for fund disbursement. After approval from Mr.Kapil Wadhawan, accounts team (Myself/Sayali or Hemant Bhatia’s team) used to send a fund disbursement letter (mostly physical letter, in some cases on email) to Jayesh Khona/Priya Naik for fund disbursement.”

(emphasis supplied)

98. Further, on being asked, “How was the fund utilization by these 91 Bandra Book Entities monitored by DHFL? Who (Name and Designation) was responsible for such monitoring.”, Mr. Sonpal Jain, responded:

*“The utilisation of funds was monitored by Mr.Dheeraj Wadhawan himself”*

Thus, in view of the above, I find that both Noticee 1 and Noticee 2 were directly involved in the ‘loan’ approval and ‘loan’ management processes and that therefore direct responsibility for diversion of monies to BBEs in the guise of ‘loans’ lies squarely with both Noticees 1 and 2.

#### Connection of Noticees 1 and 2 with BBEs

99. Earlier in this Order, it has already been established that the BBEs were connected to Noticees 1 and 2 and other Promoters of DHFL. I note that the directors in these companies were either Promoters themselves or their relatives i.e, Mr. Hetin Ramesh Sakhuja (cousin of Mr. Dheeraj & Mr. Kapil Wadhawan), Mr. Sunny Suresh Bhatija (brother-in-law of Mr. Dheeraj Wadhawan) or employees of Wadhawan group. For the sake of brevity, I shall not reiterate these and other related findings recorded earlier. It

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<sup>42</sup> As per material available on record, Mr. Krieshan Grover was CFO in Wadhawan Holdings Pvt. Ltd.

would suffice to state, that even on the ground of connection with BBEs, the role of Noticees 1 and 2 is significant.

Employee directors in BBEs appointed by Noticees 1 and 2

100. I note that employee directors in BBEs included certain employees of RKW Developers Private Limited, a company promoted and run by Mr. Dheeraj Wadhawan, inter alia including Mr. Placid Jacob Naronha (director in 7 BBEs), Mr. Sanket Hemant Pawaskar (director in 1 BBE), Mr. Amit Sawhney (director in 24 BBEs), Mr. Balvinder Singh Sarup Singh Malhotra (director in 42 BBEs), Ms. Sayali Shirolkar (director in 18 BBEs). Further, I note from the submissions (statement recording as well as email) of Mr. Sonpal Jain and Mr. Amit Sawhney, employees of RKW Developers as well as Mr. Vijay Tambe, employee of DHFL and emails gathered during investigation, that these individuals were made directors in the BBEs by Noticees 1 and 2. For example, Mr. Placid Naronha in his statement<sup>43</sup> recorded on August 02, 2022, in response to the question “*When did you join Wadhawan Retail Private Limited? What was your designation, role / responsibility in the company? What was your period of directorship in the company?*”, has stated:

*“I have never worked in Wadhawan Retail Pvt. Ltd. I was only working in RKW Developers Pvt. Ltd. I had no role in day to day activities of Wadhawan Retail. Mr. Hemant Bhatia was preparing financials of Wadhawan Retail.*

*As an employee of RKW Developers, I was made director of around 30-35 companies but I have never been involved in day to day affairs/management of any of these companies and I am also not aware of financials of any of these companies.....”*

When asked, “*Who referred you in Wadhawan Retail Private Limited?*”, he answered:

*“As an employee of RKW Developers, I was made director of around 30-35 companies but I have never been involved in day to day affairs/management of any of these companies and I am also not aware of financials of any of these companies.....”*

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<sup>43</sup> There was no request from any of the noticees for cross examination of Placid Naronha.

This was on instructions of Mr.Dheeraj Wadhawan. Secretarial Department of Dheeraj Wadhawan group was handled by Mr.Rajesh Jain.”

(emphasis supplied)

When asked “Who referred you as director in these companies?”, he said:

“I was appointed in these companies through instructions of Mr.Dheeraj Wadhawan.”

(emphasis supplied)

101. As regards involvement of Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan in appointing directors of BBEs, I note that the following was *inter alia* provided as annexure to the SCN:

**Table 22: Emails showing involvement of Mr. Kapil Wadhawan in appointing directors in BBEs**

#	Date of emails	Name of officials between whom email exchanged	Content of emails
(1)	October 08, 2011 and October 07, 2011	Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan and Mr. Kreishan Grover	Mr. Kreishan Grover and Mr. Kapil Wadhawan are discussing about fund allocation in Wadhawan Holding Pvt. Ltd./ RKW Developers Pvt. Ltd. and Mr. Kapil Wadhawan sought break-up of the professional fees paid to employees including names of Mr. Placid Naronha, Mr. Amit Sawney, Mr. Gitesh Chawla (Directors in multiple BBEs). In email dated October 08, 2011, Mr. Kreishan Grover has written to Mr. Kapil Wadhawan that “some of these we are using them as director in few companies”
(2)	July 06, 2013 to February 25, 2013	Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan and Mr. Kreishan Grover	Gitesh Sunder Chawla, director in multiple promoter companies is resigning from the Company. The discussion in the email is to find replacement from the other employees as director in these companies. Mr. Kreishan Grover is seeking advice of Mr. Kapil & Dheeraj Wadhawan and is providing names of new employees or entities who can be made director in the companies. Further, emails also mention names of other directors including Mr. Sunny Bhatija (Director in 21 BBEs), Placid Naronha (Director in 7 BBEs), Amit Sawney (Director in 25 BBEs), Mehul Anil Bavishi (Director in 37 BBEs), Krishna Gangaram Ambekar (Director in 35 BBEs) etc.  The trail email dated March 01, 2013, makes a reference to Mr. Vijay Tambe, an employee of DHFL, who is being appointed as a director and is requesting a sitting fee of INR 4000 per quarter for each company. The trail also discusses the reluctance or delay of existing directors in signing necessary documents.
(3)	June 04, 2014 and June 07, 2014	Mr. Kapil Wadhawan, Mr. Dheeraj Wadhawan and Mr. Kreishan Grover	Mr. Kapil Wadhawan has forwarded an email received from Mr. Kreishan Grover dated June 04, 2014 to Mr. Dheeraj Wadhawan, wherein Mr. Kreishan Grover has sought advice of Mr. Kapil Wadhawan on additional names of officials who can be appointed as directors in various companies in order to comply with section 165 of Companies Act, 2013 which puts restriction on no. of directorship of individuals. He has attached two lists wherein Mr. Kapil and Mr. Dheeraj Wadhawan and some employees were directors. The list attached includes around 71 BBEs.

The above emails clearly show that Noticees 1 and 2 were appointing directors in BBEs from employees of different Promoter connected companies. There is also discussion of compensation to be paid. Thus, I have no doubt in holding that Noticees 1 and 2 were appointing directors in BBEs. Consequently, Kapil and Dheeraj Wadhawan can also be said to be in control of the BBEs as discussed in detail in Issue I above.

Investments by BBEs in companies connected to Promoters of DHFL

I note from Table 11 and 12 above that 39 of the BBEs have invested Rs. 2,254.63 crores further into 48 companies which are connected to the Promoters of DHFL, including Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan.

Misleading CEO/ CFO certificate issued by Noticee 1

102. Clause 49(V) and clause 49(IX) of the Listing Agreement requires the CEO *i.e.*, the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO *i.e.*, the Whole Time Finance Director to *inter alia* certify to the board that:

- (i) The financial statement and cash flow statement to the best of their knowledge and belief do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) No transactions entered into by the company during the year which are *inter alia* fraudulent or illegal;
- (iii) They have indicated to the auditors and the audit committee *inter alia* instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

103. I note that Noticee 1 was the Managing Director of DHFL from FY 2006-07 to FY 2013-14 during which time he signed the CEO / CFO certificate as required under the Listing Agreement. In earlier paragraphs of this Order, I have concluded that DHFL had provided loans to BBEs and misrepresented its financial statements. Therefore, the certificate issued by Noticee 1 for the aforesaid years did not present a true picture of the Company despite being aware of the reality. Accordingly, I find that Noticee 1 has violated clause

49(V) of the Listing Agreement for FY 2006-07 to FY 2013-14 and clause 49(IX) of the Listing Agreement (post amendment dated April 17, 2014) read with sections 21 and 24 of Securities Contracts (Regulation) Act, 1956 (“**SCRA**”) from October 01, 2014 to November 30, 2015.

104. In view of the above, I hold that Noticees 1 and 2 have violated the following<sup>44</sup>:

#	Noticee	Violation in brief	Sections/regulations
1.	Noticees 1 and 2 (Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan)	Siphoned off funds from DHFL to 87 BBES connected to Promoters of DHFL from FY 2007-08 to FY 2018-19 and misrepresented the said loans in financial statements. This acted as a scheme/ device/ artifice to deceive and defraud the investors/ shareholders dealing in the shares/debentures of DHFL during from FY 2007-08 to FY 2018-19.	(i) Clause 41(I)(a) of the erstwhile Listing Agreement read with Section 21 and 24 of SCRA; (ii) Clause 49 (VII)(D) of the Listing Agreement (post amendment dated April 17, 2014) read with Section 21 and 24 of SCRA; (iii) Regulations 4(1)(a), (b), (c), (g), (h), (j), 23(2), 33(1)(a), (c) and 48 of SEBI LODR Regulations read with section 27 of the SEBI Act.
2.		Being signatory to the financial statements (for Noticee 2 during FY 2010-2011 to FY 2018-19), failed to discharge his duty in ensuring that the published financial statements were in accordance with the applicable and notified accounting standards and that the financial statements present a true and fair view of the Company's affairs.	(i) Clause 49(I)(D)(2)(f)&(g) and 49(I)(D)(3) (a), (c), (f) of the Listing Agreement (post amendment dated April 17, 2014) read with Section 21 and 24 of SCRA for the period October 01, 2014 to November 30, 2015. (ii) Regulation 4(2)(f)(i)(1),(2), 4(2)(f)(ii) (6), (7),4(2)(f)(iii)(1),(3),(6),(12) and 26(5) of LODR Regulations for the period December 01, 2015 to March 31, 2019.
3.		Failed to disclose interest in companies which has resulted in failure of related party disclosures.	(i) Clause 49(I)(D)(1)(a) of the Listing Agreement (post amendment dated April 17, 2014) read with Section 21 and 24 of SCRA. (ii) Regulations 4(2)(f)(i)(1) of LODR Regulations.

<sup>44</sup> Allegations of violation of PFUTP Regulations are addressed later in this Order.

#	Noticee	Violation in brief	Sections/regulations
4.	Noticee 1 (Mr. Kapil Wadhawan)	Misleading CEO/CFO certificate issued by him in the annual report of the Company for FY 2006-07 to FY 2013-14, inter alia stating that <i>“the financials of DHFL presented true and fair view of its affairs and not containing any misleading statement”</i> .	Clause 49(V) of the Listing Agreement for FY 06-07 to FY 2013-14 and Clause 49(IX) of the Listing Agreement (post amendment dated April 17, 2014) read with sections 21 and 24 of SCRA from October 01, 2014 to November 30, 2015.

Summons issued to Noticees 1 and 2

105. Vide SEBI summons dated September 14, 2022, information / comments were sought from Mr. Kapil Wadhawan and Mr. Dheeraj Wadhawan. Vide letter dated November 10, 2022 received from Tihar Jail Superintendent, Noticee 1 sought more time to respond and also submitted a list of companies in which he is associated in capacity of shareholder and director, during FY 2006-07 to FY 2018-19. I note that the response reveals he has been director and shareholder in companies to which the funds were transferred to by the BBEs, which clearly shows that he was a beneficiary to the funds siphoned off from DHFL. No response to the summons was received from Noticee 2.

**Role of Mr. Rakesh Kumar Wadhawan (Noticee 3), Non-Executive Chairman and Mr. Sarang Wadhawan (Noticee 4), Non-Executive Director**

Role of Noticees 3 and 4

106. Noticees 3 and 4 have contended as follows: They were not in any key managerial or decision making position or concerned with the day-to-day affairs of DHFL and they do not fall into the ambit of managerial persons under the Companies Act, 1956 and Companies Act, 2013. Noticees 3 and 4 were Promoters for a very short time (from April 2006 to July 2009). Being a Promoter does not mean that Noticees 3 and 4 have knowledge of the said transactions. Noticees 1 and 2 were the only people who took crucial decisions in DHFL. After 2009, due to family arrangements where business was

segregated<sup>45</sup>, Noticees 3 and 4 were not related with the affairs of DHFL. Noticees 3 and 4 were merely independent directors and their scope of work was supervisory in nature. Paragraph 23 of the SCN reveals that Noticees 1 and 2 exercised significant influence over the operations of BBEs and over the composition of directors during the period FY 2006-07 to FY 2018-19. Therefore, it is clear that the main KMPs of DHFL are Noticees 1 and 2 and not Noticees 3 and 4. Noticees 3 and 4 have absolutely no knowledge about the alleged transactions with BBEs and they were not related to the softwares used for accounting and maintaining records of BBE. Merely attending few board meetings does not mean that Noticees 3 and 4 were party to the misrepresentations observed in the financial statements of DHFL. No evidence has been annexed to the SCN substantiating the fact that Noticees 3 and 4 were signatories to financial statements during FY 2006-07 to FY 2008-09.<sup>46</sup> There are no pecuniary benefits which Noticees 3 and 4 have received in their individual capacity.

107. I note that Noticee 3 (Rakesh Wadhawan) is the uncle of Noticees 1 (Mr. Kapil Wadhawan) and 2 (Mr. Dheeraj Wadhawan). Noticee 3 is the promoter of DHFL since its incorporation in 1984 and functioned as its Joint Managing Director till September 30, 2000. Subsequently, he became the Non-Executive Chairman of DHFL from April 01, 2006 upto July 28, 2009. During the aforesaid tenure, he has attended 13 out of the 18 board meetings of DHFL held during the FYs 2006-07, 2007-08 and 2008-09. Further, he has also attended 1 meeting during FY 2009-10. He has signed financial statements of DHFL for FYs 2006-07, 2007-08 and 2008-09. He was the Chairman of the Finance Committee of the Board of Directors w.e.f. June 15, 2006 and he has also attended 54 out of the 57 finance committee meetings held from FY 2006-07 to 2009-10. As per Annual Report of DHFL for the year 2006-07, the role of this committee includes borrowing funds for the company, opening of bank account, granting approval of loans upto a particular threshold to any person, firm or body corporate at any time or from time

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<sup>45</sup> A letter written by DHFL to stock exchanges (dated April 17, 2010) states the following:

*“This is to inform you that as part of business realignment and to have focused attention in the respective business, Shri Rakesh Kumar Wadhawan and Sarang Wadhawan- Promoters of the Company have inter-se transferred shares held by them among the other existing promoters of the Company.....”*

<sup>46</sup> Their names are mentioned in the annual reports. The annual reports were not provided with the SCN.

to time, etc. In view of the above, I find that Noticee 3's claim that as Non-Executive Director he had very little role to play in the affairs of DHFL is factually incorrect. In this regard, I also draw reference to the case of Uppal Devinder Kumar vs. SEBI, Appeal no. 220 of 2017, order dated September 25, 2019, wherein the Hon'ble SAT held that:

*"15. In SEBI vs. Gaurav Varshney, (2016) 14 SCC 430 the Supreme Court held that a company being a juristic person, all its deeds and functions are the result of acts of others. Therefore, officers of a company who are responsible for acts done in the name of the company are sought to be made personally liable for acts which result in criminal action being taken against the company. It makes every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of business of the company, as well as the company, liable for the offence. The liability arises from being in charge of and responsible for the conduct of business of the company at the relevant time when the offence was committed and not on the basis of merely holding a designation or office in a company. Conversely, a person not holding any office or designation in a company may be liable if he satisfies the main requirement of being in charge of and responsible for the conduct of business of a company at the relevant time. Liability depends on the role one plays in the affairs of a company and not on designation or status."*

108. Noticee 4 (Mr. Sarang Wadhawan) was one of the signatories to the financial statements of DHFL for the FYs 2006-07 and 2007-08. I also note that Noticee 4 was one of the Promoters of DHFL. He joined the Board as an Executive Director in October, 2000. He relinquished his position as Executive Director w.e.f March 31, 2005. He was a Non-Executive Director of DHFL w.e.f. April 01, 2005 and he resigned from the Board on July 28, 2009. He has attended 10 meetings out of the 18 board meetings held in DHFL during the period FY 2006-07 to FY 2008-09. I note that Noticee 4 is the son of Noticee 3 (Mr. Rakesh Wadhawan) and thereby first cousin of Noticees 1 and 2.
109. Noticees 3 and 4 have relied on the cases of Chaitan M. Maniar (supra) and Pooja Ravinder Devidasani (supra) to support their position that Non-Executive Directors are not involved with the day-to-day management of the company. In this regard, I do not find the said cases to be relevant as they pertain to section 138 of the Negotiable Instruments Act, 1881, a criminal proceeding, hence, the standard of proof required

under the said cases would be different from the standard of proof applied in the present case. Noticees 3 and 4 have also argued that merely attending few board meetings does not mean that they were party to the misrepresentations observed in the financial statements of DHFL. In this regard, I note that it is not only attending board meetings, but also Noticee 3's position in DHFL (as a Promoter and Non-Executive Chairman) coupled with his attendance in finance committee meetings of DHFL and signing financial statements that makes it implausible that he did not know of transactions with BBEs which commenced since 2006 and continued till 2019. Similarly, for Noticee 4, him attending half of the board meetings of DHFL held during his tenure coupled with his position of Promoter and Non-Executive Director suggests on a preponderance of probability that he was aware of the transactions with BBEs. These facts are to be seen in the overall context of the case and their proximity to Mr. Kapil and Dheeraj Wadhawan.

110. Noticees 3 and 4 have submitted that no proof has been annexed to the SCN substantiating that they have attended board meetings during the relevant time, or that they were signatories to the financial statements during FY 2006-07 to FY 2008-09 or that they are beneficiary of any amounts. In this regard, in relation to Noticees 3 and 4 attending board meetings and signing financial statements, I find that annual reports and the financial statements of DHFL are in public domain and if the contents of the Annual Report are incorrect regarding their attendance at board meetings or their signature therein is forged, it was incumbent on them to seek its rectification at the earliest. They cannot claim helplessness particularly considering their status as Promoters and Directors of the Company. I therefore find such contentions to be unjustified and without merit.
111. Noticees 3 and 4 have argued that signing financial statements does not *ipso facto* mean that the signatories have verified every entry in the financial statement and that as per the SEBI regulations it is the responsibility of audit committee, CEO and CFO to ensure that the financial statement does not contain materially untrue statements before the statements are placed before the board of directors. In this regard, they have placed reliance on the case of Neha Nilesh Patil (supra). I note that they have specifically placed reliance on the following paragraphs of the order passed by Hon'ble SAT:

*“10. A perusal of the aforesaid provision indicates, that the financial results has to be approved and authenticated by the Board of Directors but before it is approved by the Board of Directors the financial results are required to be certified by the chief executive officer and chief financial officer to the effect that the financial results does not contain any false or misleading statement or figures and does not omit any material fact which may make the statements or figures contained therein misleading.*

...

*12. Merely because the appellant is a signatory to the annual report does not mean that the misstatements contained therein has been approved by the appellant. He is only a signatory in the annual report as per the provisions of the Companies Act. The violation under 33(2)(a) of the LODR Regulations is with regard to the approval and authentication of the financial results and that approval and authentication in the first instance is required to be done by the chief executive officer and chief financial officer. The appellant being a non-executive professional director cannot be held liable under any circumstances to have violated Regulation 33(2)(a) of the LODR Regulations.”*

112. I find that merely because regulation 33(2)(a) of LODR Regulations states that while placing the financial results before the board of directors, the CEO and CFO are required to certify that the financial results do not contain any false or misleading statement, it does not mean that Noticees 3 and 4 being the Non-Executive Chairman / Director abdicate their responsibilities, particularly when they signed on the said financial statements. In the case of Muhammed vs. Velayudhan and Ors., 2001(1)KLJ161, decision dated January 09, 2001, Hon’ble Kerala High Court held that:

*“.....There, the signature is put to show that the person who signed has agreed the terms and conditions of that document. ”*

### Connection with BBEs

113. Noticees 3 and 4 have argued that they had no knowledge about the alleged transactions with BBEs and they were not related to the softwares used for accounting and maintaining records of BBEs. In this regard, I note that Noticees 3 and 4 have been the directors of 3 BBEs, namely, (i) HDIL Leisure Pvt. Ltd. (now known as Greentown Realtors Pvt. Ltd.), (ii) Microgate Trading Co-operative Pvt. Ltd.; and (iii) Teknpoint

Trading Pvt. Ltd. during the period FY 2010-11 to 2014-15 (the disbursement to and collection from such BBEs by DHFL is tabulated below). It has been already established above that the aforementioned BBEs had weak financials.

**Table 23: Directorship held by Noticees 3 and 4 in BBEs**

Sr. No.	Name of BBE	Disbursement (INR in crores) A	Collection (INR in crores) B	Net (INR in crores) C= A-B
1.	Teknopoint Trading Company Pvt. Ltd	36.08	51.46	-15.38
2.	Microgate Trading Co Pvt Ltd	35.79	51.85	-16.06
3.	Greentown Realtors Pvt. Ltd. (formerly HDIL Leisure Pvt. Ltd.)	2.72	28.67	-25.95

While the net amounts for the three companies shown above may suggest that they have returned more funds than originally borrowed, it is crucial to consider the entire collective case involving all 87 BBEs (which shows that disbursements were higher than collections). Placing reliance on a subset can be misleading, as the overall financial dealings across all entities reveals a different picture of fund movement and repayments.

114. Further, Noticee 3 has been director of HDIL Leisure Pvt. Ltd. (now known as Greentown Realtors Pvt. Ltd. – One of the BBEs) and Blue Star Realtors Pvt. Ltd., in which BBEs have invested funds to the tune of INR 49.33 crores. The breakdown of INR 49.33 crores is as follows: INR 24.72 crores was received by HDIL Leisure Pvt. Ltd. from the following BBEs: (i) Uniworth Real Estate Developers Pvt. Ltd. in FY 2013-2014 as consideration for equity shares (Amount: INR 16.44 crores); (ii) Daffodils Realtors Pvt. Ltd. in FY 2013-2014 as consideration for equity shares (Amount: INR 8.28 crores). Further, INR 24.60 crores was received by Blue Star Realtors Pvt. Ltd. from the following BBEs: (i) Maxima Agrotrade Pvt. Ltd. in FY 2006-2007 as consideration for preference shares and as loans and advances (Amount: INR 20.60 crores); (ii) Rooftop Infra Projects Pvt. Ltd. in FY 2006-2007 as loans and advances (Amount: INR 4 crores). Similarly, Noticee 4 has been director of Blue Star Realtors Pvt. Ltd. (until April 26, 2018), HDIL Leisure Pvt. Ltd. (now

known as Greentown Realtors Pvt. Ltd.)<sup>47</sup>, Kyta Advisors Pvt. Ltd. (until July 2009)<sup>48</sup> and Juhu Investments Pvt. Ltd. (until July 2009)<sup>49</sup> in which funds to the tune of INR 203.45 crores were invested by the BBEs. In this regard, the following may be noted:

- Noticee 4 has signed the financial statements of Blue Star Realtors as a Chairman when Mr. Hetin Ramesh Sakhuja (cousin of Mr. Kapil & Mr. Dheeraj Wadhawan<sup>50</sup>) has signed as a Director<sup>51</sup>. Mr. Hetin Ramesh Sakhuja was a director in certain BBEs which had provided funds to companies where Noticees 3 and 4 were directors. The same is explained in detail below:
- Mr. Hetin Ramesh Sakhuja (cousin of Kapil & Dheeraj Wadhawan) was a director in Daffodils (a BBE) from January 31, 2011 to July 23, 2011 which in turn provided funds to HDIL Leisure Pvt Ltd. during FY 2013-2014 where Noticee 3 was a director since its incorporation. Mr. Hetin was also a director in Maxima from March 15, 2010 to July 04, 2011 and in Rooftop from January 30, 2010 to July 01, 2011 (both BBEs) which had earlier provided funds to Blue Star Realtors during FY 2006-2007, where Noticee 3 and 4 (until April 26, 2018) were directors.
- Mr. Hetin Ramesh Sakhuja (cousin of Kapil & Dheeraj Wadhawan) was a director in Scarlet Realtors from January 30, 2010 to July 09, 2011 and Proficient from January 30, 2010 to July 02, 2011 (both BBEs) which had earlier provided funds to Kyta during FY 2007-2008, and where Noticee 4 was a director until July 2009. Further, he was a director in Solitaire Realtech Pvt. Ltd. from January 30, 2010 to July 12, 2011 which

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<sup>47</sup> INR 24.72 crores received by HDIL Leisure Pvt. Ltd. and INR 24.60 crores received from Blue Star Realtors Pvt. Ltd. from BBEs have been explained above.

<sup>48</sup> INR 132.69 crores was received by Kyta Advisors Pvt. Ltd. (formerly Wadhawan Realtors Pvt. Ltd.) from Scarlet Realtors Pvt. Ltd. (FY 2007-2008), Solitaire Realtech Pvt. Ltd. (FY 2009-2010), Proficient Real Estate Developers (FY 2007-08), Uniworth Real Estate Developers Pvt. Ltd. (FY 2013-2014).

<sup>49</sup> INR 21.44 crores was received by Juhu Investments Pvt. Ltd. from Glowster Properties Pvt. Ltd. (FY 2009-2010), White Lion Multitrader Pvt. Ltd. (FY 2009-2010) and Sunblink Real Estate Pvt. Ltd. (FY 2009-10).

<sup>50</sup> Mr. Hetin Sakhuja has been identified as the cousin of Mr. Kapil Wadhawan (Noticee 1) and Mr. Dheeraj Wadhawan (Noticee 2) by CBI in the [bail order](#) dated March 13, 2023. Further, as per [RHP of HDIL](#) dated June 18, 2007, Mr. Hetin Sakhuja was director and / or shareholder in companies forming part of the Wadhawan Group, such as Dinshaw Trapinex Builders Private Limited (DTBPL), Interactive Multimedia Technologies Private Limited (IMTPL) and Dheeraj Consultancy Private Limited (DCPL).

<sup>51</sup> Pg 86 of the Annual Report of HDIL for the FY 2009-2010 contains signature of Mr. Hetin Sakhuja as a Director.

had earlier provided funds to Kyta during FY 2009-2010, and where Noticee 4 was a director until July 2009.

- Mr. Sunny Suresh Bathija (brother-in-law of Mr. Dheeraj Wadhawan<sup>52</sup>), was a director in Uniworth (a BBE) from December 15, 2009 to December 15, 2014 which in turn provided funds to HDIL Leisure Ltd. during FY 2013-2014 where Noticee 3 was a director since its incorporation. Uniworth also provided funds to Kyta Advisors Pvt. Ltd. in FY 2013-2014 where Noticee 4 was a director until July 2009 (this overlapped with his directorship in DHFL).
- Mr. Sunny Suresh Bathija (brother-in-law of Mr. Dheeraj Wadhawan) was a director in Glowster (December 09, 2009 to December 15, 2014), White Lion (December 10, 2009 to December 15, 2014) and Sunblink (from December 10, 2009) which in turn provided funds to Juhu Investments Pvt. Ltd. in FY 2009-2010, and where Noticee 4 was a director until July 2009.

115. Thus, from above, it can be seen that Noticees 3 and 4 served as directors in DHFL and entities such as HDIL Leisure Pvt. Ltd., and Blue Star Realtors Pvt. Ltd., Kyta Advisors Pvt. Ltd. and Juhu Investments Pvt. Ltd., which establishes a direct governance link between DHFL and the aforementioned entities. Meanwhile, BBEs such as Uniworth, Glowster, Scarlet etc, as discussed above, were helmed by relatives of Noticees 1 to 4. This created an indirect yet significant connection between the 3 sets of *entities* (i.e, *Entity 1- DHFL, where Noticees 1 to 4 were directors* → *Entity 2- BBEs, where relatives of Noticees 1 to 4 were directors* → *Entity 3 - Other Promoter connected entities, where Noticees 3 and 4 were directors*) through familial and managerial ties. Funds transferred between the 3 sets of entities discussed above forms a transactional chain that is not merely coincidental but indicates a deliberate structuring of financial movements through entities under common influence. This loop of control where Noticees 3 and 4 were directly involved in Entities 1 and 3, and had actual or constructive knowledge of the BBEs (Entity 2 / intermediary) through their relatives under a veil of separation, shows that Noticees 3 and 4 were aware of the true nature of the BBEs by preponderance of probability. Such structural distancing appears to be a tactical measure intended to

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<sup>52</sup> Mr. Sunny Suresh Bathija is the brother-in-law of Mr. Dheeraj Wadhawan (Noticee 2) as per his own admission in the bail application filed before Hon'ble Delhi HC - <https://indiankanoon.org/doc/23346001/?type=print>

circumvent scrutiny and impede tracing of direct links between Noticees 3 and 4 and the BBEs. Infact in FY 2009-2010, Noticee 4 (Mr. Sarang Wadhawan) and Mr. Hiten Sakhuja, cousin of Mr. Kapil and Dheeraj Wadhawan, and director in multiple BBEs, were together on board of a company (Blue Star Realtors) at the same time which had previously received funds from BBEs. This chain indicates a cascading flow of unlawful financial transfers across interconnected entities implicating all involved parties in a potential scheme of fund diversion. In view of the above, Noticees 3 and 4 cannot wash their hands from knowledge of the BBEs.

116. Noticees 3 and 4 have also argued that paragraph 23 of the SCN states that Noticees 1 and 2 exercised significant influence over the operations of BBEs and over the composition of directors during the period from FYs 2006-07 to 2018-19. Therefore, according to them, the main KMPs of DHFL are Noticees 1 and 2 and not Noticees 3 and 4. In this regard, I note that the role and liability of Noticees 1 & 2 have already been determined earlier in this Order. Notwithstanding this, Noticee 3 & 4's liability is determined based on their involvement in the Company's operations through participation in board meetings and their signing of financial statements which were clearly incorrect. They are not 'non-executive' in their functioning at all. Crucially, it has already been established above how Noticees 3 and 4 were connected to certain BBEs and entities to which BBEs had transferred funds.
117. Noticees 3 and 4 have submitted that the investigating authority has not furnished any documentary evidence in support of the allegation that Noticees 3 and 4 were directors of 3 BBEs post resignation from DHFL. I note that Annexure 15 of the SCN contains MCA records of the 87 BBEs which includes details of directors. Thus, this contention of Noticees 3 and 4 is factually incorrect.

MCA circular dated March 02, 2020

118. Noticees 3 and 4 have placed reliance on the MCA circular dated March 02, 2020. According to them, the circular states that no civil or criminal proceedings should be initiated against Independent Directors or Non-Executive Director unless sufficient

evidence exists against them since it is not their responsibility to monitor the day-to-day compliance of the company. Firstly, the MCA circular reads as follows:

*“3. Section 149 (12) is a non obstante clause which provides that the liability of an independent director (ID) or a non-executive director (NED) not being promoter or key managerial personnel would be only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently. In view of the express provisions of section 149 (12), IDs and NEDs (non-promoter and non-KMP), should not be arrayed in any criminal or civil proceedings under the Act, unless the above mentioned criteria is met.....”*

*(emphasis supplied)*

Given the fact that Noticees 3 and 4 were Promoters of DHFL in addition to being Non-Executive Chairman and Non-Executive Director, respectively, the above circular does not aid their defence. Further, Noticees 3 and 4 have attended board meetings and finance committee meetings of DHFL, signed on financial statements of DHFL, and held position of a Director of 3 BBEs and Director of Promoter connected entities which received funds from BBEs, therefore, it cannot be said that sufficient evidence against them does not exist.

119. In light of the paragraphs above, I hold that Noticees 3 and 4 have violated clause 41(I)(a) of the erstwhile Listing Agreement and sections 21 and 24 of the SCRA.

### **Role of Mr. Harshil Mehta (Noticee 5), Joint Managing Director & CEO**

120. Noticee 5 (Mr. Harshil Mehta) was the CEO of DHFL from January 17, 2015 to August 31, 2017. Thereafter, he was the Joint Managing Director and CEO from September 01, 2017 to February 13, 2019. During this time, he was also designated as a Key Managerial Personnel (KMP) in the annual reports of DHFL. The case against Noticee 5 as made out in the SCN is based on the following:

- (i) Being the CEO of the company he is expected to be fully acquainted with all aspects of the company's affairs.
- (ii) As CEO, when he signs off on documents particularly financial statements or related certifications, he is expected to have exhibited extraordinary care and

diligence. Several stakeholders rely on the quality of his certifications. Therefore, CEO cannot pass the buck.

- (iii) Notwithstanding the overall obligation as a CEO, the email from an IT team official in DHFL, copy of which was marked to Harshil Mehta discussing 'Bandra portfolio' suggests direct knowledge of BBes, thereby laying bare his likely complicity in and awareness of the impugned affair.

121. His contentions in brief are as follows:

- (i) The finance and accounts department including CFO reported directly to CMD (Mr. Kapil Wadhawan); the overall financial statements were prepared the CMD's direct supervision and instructions. This is evident from the organizational chart as well<sup>53</sup>. He had no role to play in respect of approval of financial statements of DHFL. Mr. J N Shah, Mr. Jayesh Khona, Ms. Priya Naik, and Mr. Pankaj Rana were a close group of people who worked under direct instructions from the CMD and kept the others out of loop. Noticee 5 would receive the final balance sheet and profit and loss account from CFO.
- (ii) Noticee 5 and his team only had access to "Synergy". This "Synergy" platform was operational since year 2004-2005, i.e., a decade prior to Noticee 5 joining DHFL. He was not aware of any automated IT program / applications utilized especially for disbursements made to BBE in small ticket size loans.
- (iii) Every loan sanctioned and disbursed under the CFO's supervision was duly supported by all necessary documents and information. He was neither aware of disbursements of loans to BBes nor did he authorize any of the loans. Noticee 5 relied on the internal controls and systems created within the company much before his joining.
- (iv) Noticee 5 was not involved in the formulation and implementation of project loan policy.
- (v) The presentation made to audit committee of DHFL in September, 2018, shows that the loan portfolio presented to the board of DHFL did not include BBE disbursements.

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<sup>53</sup> Reproduced earlier in this Order.

122. I note from the organization chart that Noticee 5 was directly reporting to CMD (Mr. Kapil Wadhawan). The organisation structure as on March 31, 2017 indicates departments such as retail liability, housing finance, Group IT (Tech Initiatives, FSG) (including the IT Operations, DHFL), legal, etc. were directly reporting to him. Contrary to the submission of Noticee 5 that he had no role in approval or signing of financial statements of DHFL at any time, I find his name present in the list of signatories to the financial statements of the FY 2017-18. Further, Noticee 5 has also signed the CEO / CFO certificate for the FYs 2015-16, 2016-17 and 2017-18 (3 quarters) which with respect to financial statements and cash flow statements *inter alia* states that “*these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading*” and “*these statements together present a true and fair view of the Company’s affairs and are in compliance with the existing accounting standards, applicable laws and regulations*”. Noticee 5 has also contended that the CEO / CFO certification was beyond his designated responsibilities and the said certificates, were signed solely based on the confirmation provided by the respective departments including the CFO. I find it relevant here to rely on the order of Hon’ble SAT in *Neha Nilesh Patil vs. SEBI*, (Appeal no. 688 of 2021), decision dated September 21, 2022, wherein it was held that:

*10. A perusal of the aforesaid provision<sup>54</sup> indicates, that the financial results has to be approved and authenticated by the Board of Directors but before it is approved by the Board of Directors the financial results are required to be certified by the chief executive officer and chief financial officer to the effect that the financial results does not contain any false or misleading statement or figures and does not omit any material fact which may make the statements or figures contained therein misleading.*

*11. Thus, the chief executive officer and chief financial officer are required to certify that the financial results does not contain any misleading statements or figures and only thereafter such financial results are placed for approval before the Board of Directors...*

123. While Noticee 5 may have relied on the inputs of the functional heads and the CFO, the ultimate responsibility lay with both the CEO and CFO to ensure that the financial

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<sup>54</sup> Regulation 33(2)(a) of LODR Regulations is the provision referred to here.

statements gave a true and fair view of the Company's affairs before placing it before the board for approval. The CEO & CFO certificate cannot be reduced to a mere formality or a compliance requirement, but it is a significant document conveying the level of integrity of and confidence in the financial statements. Thus, Noticee 5's contention that he cannot be held responsible for CEO and CFO certificate is not tenable.

124. Noticee 5's submissions distancing himself from the FoxPro module and the loan approval process is also not tenable. Noticee 5 was the CEO for 2 years and then MD & CEO for nearly 18 months, of the latter part of the Investigation Period. Being the CEO who oversaw different verticals including housing finance, it was his responsibility to ensure that loans were being given with due documentation. It may be true that a close group of people such as the ones mentioned by Noticee 5 were directly involved in granting loans to BBEs (*such as Mr. Jayesh Khona, Senior-VP Special Projects, who as per the organization structure of DHFL as on March 31, 2017, March 31, 2018 and March 31, 2019 reported directly to Mr. Kapil Wadhawan*). Even so, this does not excuse the CEO from the responsibility of ensuring integrity in the organization and ensuring accuracy in the financial statements he signed off on.

125. I note that the SCN alleges that Noticee 5 was aware of the disbursements to BBEs and the softwares used for converting the loans into small ticket size loans *inter alia* on the basis of an email dated April 25, 2018. In the email dated April 25, 2018 sent by Ms. Jyothirlatha B (*an IT department employee of DHFL*) which was marked to Mr. Vivek Kannan (COO) and copy marked to Harshil Mehta, she has stated that "*Not thought of Bandra Portfolio which is running on Foxpro. No integration with Tech 2.0 is possible with this technology. Hence, had to take up a conversion project first to migrate this application to a new Technology stack for integrating to Tech 2.0*". (emphasis supplied). The same email has been forwarded by Mr. Harshil Mehta to Mr. Kapil Wadhawan on April 26, 2018 stating that "*you have best CTO in town to get your tech 2.0 piece moving. Nobody had even thought of bandra portfolio....it is purely jyothi from tech perspective and Govindan from acting perspective who are driving this..*". This email has been referred to by the SCN apparently because it is suggestive of direct and specific knowledge of 'loans' extended by 'Bandra Branch' to 'BBE Entities'. In this regard, Noticee 5 has submitted that in 2014, DHFL had

acquired a company, which even after the merger was being operated on a separate system. Hence, it was necessary to migrate all of the data to a single platform. In this context, Ms. Jyothirlatha B came across the "Bandra Portfolio" and considered its migration to the new platform. The email, however, does not mention any "fictitious" branch, the volume of such accounts, disbursed amounts, or indicate that it constitutes a standalone portfolio. Noticee 5 has further submitted that had he been aware of the true nature of the Bandra book portfolio, he would have not pursued the migration or integration from IT perspective, and on the contrary, he would have discouraged Ms. Jyothirlatha B. from proceeding further as the integration would have overwhelmed the systems and caused various issues.

126. At the outset, it has been established above (Table 8) how the BBE loans amounted to an average of 24.84% of the total loans of DHFL, and such loans were disguised as housing / retail loans. The magnitude of the loans in question was such that it is inconceivable that Noticee 5, being admittedly in-charge of "housing" / "retail" loans, remained unaware of its existence. If collateral for nearly 25% of the loan book of DHFL was missing or not available, in the ordinary course of business, this would be detected during physical inspections, appraisal reports and insurance and maintenance documents. Given the scale (nearly 25%), such a deficiency would usually be glaring in any loan and collateral review to anyone exercising even ordinary prudence – let alone a professional with substantial experience. Noticee 5's failure to identify and report the BBE loans and the missing collateral, defies commercial logic.
127. I note that Noticee 5 did not take the initiative to contact Jyothirlata B. for clarification or further details about BBEs and FoxPro, despite being her superior and having authority and opportunity to do so. Nevertheless, Noticee 5 was responsible for the day-to-day affairs of DHFL, hence, when loan policies are being violated, Noticee 5 being the head of DHFL is responsible for the violation. It is not necessary that every director or KMP is required to be penalized merely because he is a director or a KMP, but being a managing director, he had high degree of responsibility. In the case of N. Narayanan vs. The Adjudicating Officer, SEBI, Appeal no. 29 of 2012, Hon'ble SAT vide order dated October 05, 2012, held as follows:

*“....A whole time director is a director employed to devote the whole of his time and attention in carrying on all the affairs of the company. The role of a whole time director is very significant and material in running day to day affairs of a company. His role and responsibility are equivalent to that of a managing director in as much as he is expected to spend his whole time in the management of the company. This implies a high level of accountability and knowledge of the overall functioning of the company. He cannot take shelter, under the argument that he was in charge of only human resource management and other aspects like business operations, financial management and preparation of accounts were totally alien to him. As a whole time director he was duty bound to examine the accounts with a critical eye as expected from a prudent person and identify irregularities which were prominent in the financials of the company....”*

128. In relation to the above emails, Noticee 5 has also contended that reliance on the said emails without certification under section 65B of the Evidence Act is inadmissible in evidence. SEBI cannot rely upon such emails without recording statement of Ms. Jyothirlatha B. In this regard, I note that the present proceedings have been initiated under sections 11(1), 11 (4), 11B (1) and 11D of SEBI Act and hence are quasi-judicial proceedings in nature. As such, the provisions of the Indian Evidence Act, 1872 are not strictly applicable in the present matter. Here, it would be appropriate to refer to the order of Hon'ble Supreme Court of India in the matter of Tata Consultancy Services Limited vs. Cyrus Investments Pvt. Ltd. dated March 26, 2021 wherein it was held as follows: *“It is true that the rigors of CPC and the Evidence Act are not be applicable to Tribunals/ Quasi-Judicial Authorities...”*. Since Noticee 5 has not denied the contents of the said emails, I do not find any valid reason to doubt their veracity.
129. *Vide* letter dated November 12, 2024, Noticee 5 has relied on certain emails in support of his claim of innocence. These 17 emails were taken from the set of 3000+ emails sent/received by Noticee 5 from SEBI in response to his request for inspection of email records. My comments on each of the emails relied upon is tabulated below:

**Table 24: Comments on emails relied upon by Noticee 5**

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
1.	Email dated December 17, 2015	An email was sent on December 16, 2015 by Mr. Rajendra Mirashie (Executive VP- Project Finance) to Mr. Kapil Wadhawan (CMD). In the email, Mr. Rajendra Mirashie is seeking approval for offsite of Project Finance Team for the month of January, 2016. On December 17, 2015, Mr. Kapil Wadhawan has forwarded the above email to one S Govindan and Noticee 5 wherein he has stated that this function should be treated as an intrinsic part of the larger DHFL family and their inclusion is a necessity. He would not want them to do things independent of others.	Noticee 5 has relied on the said emails to claim that reporting structure of certain divisions was directly to the CMD. Though, Noticee 5 was the CEO of DHFL, the Project Finance team was not reporting to him but directly to the CMD. Bandra book transactions were not retail loans, they were large corporate loans. Noticee 5 was only responsible for retail loans.	<p>The said email has been sent by Mr. Rajendra to Mr. Kapil for approval of budget for offsite for his team. It is understood from the email that request of senior officials of DHFL was duly considered. Noticee 5 has relied on this email to claim that the project finance team was reporting directly to Noticee 1, and therefore, he did not know of Bandra book transactions.</p> <p>I find this argument to be untenable. There were mainly two types of loans recognized in the financial statements of DHFL – “Housing Loans” and “Other Property Loans”. “Other Property Loans” <i>inter alia</i> included “Project Loans”. Noticee 5 has claimed that since the BBE loans were in the nature of “Project Loans” or “Project Finance Loans”, he was not responsible for its disbursement, recording etc.</p> <p>Given that the quantum of “Other Property Loans” exceeded the total BBE loan amount balances until FY 2016, the BBE loan balances cannot be reasonably subsumed under the “Other Property Loans”</p>

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
				category of the financial statements. Hence, it is clear that BBE loans could only have been disguised in the books of DHFL as "Housing Loans". Admittedly Noticee 5 was incharge of the department overseeing "Housing / Retail Loans". The nature of BBE loan might make it appear as "Project Finance" or "Project Loans", but the same loan was reported under "Housing Loans" / retail loans (nearly 25% of the total loan book of DHFL). Hence, it was incumbent upon Noticee 5 to question or flag them.
2.	Email dated December 31, 2015	<p>An email was sent by S. Govindan (Executive Assistant &amp; VP CMD's Secretariat) to Noticee 5 and others on December 30, 2015 wherein he has enclosed an announcement by National Housing Bank (NHB) in relation to special urban refinance scheme for low income housing. He has asked to examine the measures for effective participation.</p> <p>On December 31, 2015, Noticee 5 has sent an email to Noticee 1 wherein he has expressed concern regarding having multiple faces for different schemes of NHB. On the same day, Noticee 1 has responded to Noticee 5 that he agrees with Noticee 5 and they need to have a common face</p>	Noticee 5 has relied on the said emails to highlight the role of other functional heads in borrowing aspects. According to him, ideally the CEO would be involved in this activity, however, since the role of Noticee 5 was limited to retail loans, his contributions were restricted to the retail loan portfolio.	The emails show that Noticee 1 agreed with the opinion of Noticee 5 regarding having a common face to handle different schemes of NHB. The emails do not show that Noticee 5's role was solely restricted to housing / retail loans, or that he did not know that loans granted to BBEs were disguised as housing loans. Thus, reliance on this email is misplaced.

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
		for this. He has asked Mr. S. Govindan to schedule a meeting to finalize.		
3.	Emails dated June 19, 2018	An email was sent by Mr. Sanjiv Gyani to Mr. Vivek Kannan on June 19, 2018 containing "DID for 20 <sup>th</sup> June'2018". Mr. Vivek in turn forwarded that email to Noticee 5. Noticee 5 forwarded this email to Noticee 1 and stated "...looks that retail biz may touch 2500 and I hv not included Mirashie's nos which just adds up ! We may end q 1 with a cracker of no...compared to last year". To this, Noticee 1 has responded "That's amazing. We have slowed down on project finance intentionally. Retail has to take up the mantle".	Noticee 5 has relied on this email to claim that there was a clear demarcation that project finance numbers under Mr. Rajendra Mirashie, Head Project Finance, were not included in the possible disbursements numbers and they were not under KRA of Noticee 5. This confirms that 87 BBEs were not retail in nature as they were by default corporate / large loans.	The emails show a conversation between Noticee 5 and Noticee 1 regarding the disbursement numbers of DHFL for June 20, 2018. Noticee 5 has sought to place reliance on the emails to claim that the amount of disbursement reported to him did not include disbursements pertaining to "project finance". In this regard, as mentioned before, assuming that claim of Noticee 5 is true that there was a separation between housing loans and project finance loans, it cannot be ignored that BBE loans were represented in the annual report of DHFL under "Housing Loans" which was handled by him.
4.	Emails dated March 12, 2015, May 23, 2017, and May 03, 2018	Emails were sent by Mr. Vikas Arora (former, Executive VP- Collection & Recovery, DHFL and thereafter Chief Operating Officer) to Noticee 5 enclosing collections PPT updated for February, 2015, April, 2017 and March, 2018 performance.	Noticee 5 has relied on the said emails to claim that all presentations and data used by the collection team was derived from the Synergy system with no reference to BBEs, since they were never part of the retail business operations. According to Noticee 5, the said	I note from the emails that the total portfolio of housing loans reported to Noticee 5 is as under:  (a) For FY 2014-15: INR 33, 954. 72 crores  (b) For FY 2016-17: INR 45, 957.02 crores  (c) For FY 2017-2018: INR 57,014.51 crores  As opposed to the above, the housing loans

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
			<p>PPTs only show loans under "Home Loans, LAP and SME categories" which make up the KRA of Noticee 5.</p>	<p>disclosed in the balance sheet of DHFL is as under:</p> <p>(a) For FY 2014-15: INR 45,006.08 crores</p> <p>(b) For FY 2016 –17: INR 66,630.89 crores</p> <p>(c) For FY 2017-18: INR 83,151.24 crores</p> <p>From the above, it can be clearly seen that the amount of housing loans is inflated in the balance sheet of DHFL for years above. It was Noticee 5's duty as CEO and then Joint MD and CEO to enquire into the apparent inconsistency between the numbers reported to him and the numbers in the annual report. Thus, not only do these emails not help Noticee 5, they in fact support the allegations made in the SCN.</p>
5.	Email dated January 29, 2015	An email was sent by Ramesh CD to a "DHFL All" and "DHFLPSL ALL" email ID dated January 29, 2015 which contains a flow chart of the changes to top level HO structure subsequent to Noticee 5 being appointed as CEO of DHFL.	Noticee 5 has relied on this email to claim that this email was circulated to all the employees at DHFL and it clearly outlines Noticee 5's responsibility only within the retail business. Finance, accounts, secretarial, and special projects were not reporting to Noticee 5.	<p>The flowchart in the said email shows that Mr. Kapil Wadhawan, Chairman &amp; MD (Noticee 1) was responsible for "Special Projects". Further, it shows that Noticee 5 was responsible for "Housing Finance", "Project Finance", "Group IT".</p> <p>This flowchart only raises more questions about Noticee 5' conduct. It appears that Noticee 5</p>

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
				did not inquire into what constitutes "Special Projects" which was purportedly being handled by Noticee 1. Further, contrary to claims of Noticee 5, the flow chart shows that he was responsible for "Project Finance". This contradicts his earlier comments on other emails where he claims that he was not in charge of Project Finance.
6.	Emails dated December 26, 2017 and January 11, 2018	An email was sent by Mr. Rajendra Mehta to Noticee 5 on December 26, 2017 which contains an excel sheet of KRA of CEO for FY 2017-2018. Similarly, an email was sent by Mr. Rajendra Mehta to Ms. Niti Arya on January 11, 2018, which contains an excel sheet providing KRA of Noticee 5 for FY 2017-18 for putting it up for board review.	Noticee 5 has relied on the said emails to claim that the emails were sent by the HR Head and CS enclosing Noticee 5's KRAs, which are solely related to the retail business.	The said emails contain an excel sheet which details the responsibility of Noticee 5 as CEO / JMD & CEO of DHFL for the FY 2017-18. In the excel sheets containing the Key Result Area / Key Responsibility Area of Noticee 5, revenue growth in retail disbursement is shown as a major component. Since Noticee 5 was responsible for the retail portfolio as claimed by him and also as per his KRA, he should have realized the differences between the numbers reported to him and the numbers appearing in the annual report of DHFL (explained in #4 above). Thus, these emails do not help Noticee 5.
7.	Emails dated August 31, 2017 and	An email was sent by Noticee 1 to "DHFL All" and others on August 30, 2017 announcing appointment of Noticee 5 as Joint Managing Director and	Noticee 5 has relied on the said emails to further strengthen his argument that he	The emails contain key roles and responsibilities of Noticee 5 as the JMD & CEO of DHFL. It <i>inter alia</i> states that " <i>strategic</i>

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
	August 30, 2017	CEO with effect from September 01, 2017. Subsequently, an email was sent by Ms. Niti Arya to "Functional Head All" on August 31, 2017, detailing the specific roles and responsibilities of Noticee 5.	was only responsible for retail business of DHFL.	<i>decisions relating to development of retail business</i> " is an area which is required to jointly report to CMD i.e, Noticee 1 and JMD & CEO i.e, Noticee 5. As admitted by Noticee 5, and seen from the said emails, he was responsible for the retail portfolio. Since the BBE loans amounted to an average of 24.84% of total loans (as per Table 8) and such loans were disguised as housing / retail loans, it is difficult to believe that Noticee 5 who was responsible for the retail portfolio as per his KRA and emails did not have any knowledge about the nature of BBE transactions which constituted 24.84% of the total book of loans.
8.	Email dated June 22, 2016	An email was sent by Noticee 1 to Noticee 5 and his team which discusses a focused approach in functions, cost controlling, Tech 2.0 and standard operating procedures.	Noticee 5 has relied on the email to claim that it highlights the operational structure and hierarchy in communication within the organization as the email is only addressed to Noticee 5 and his direct reports and not to all HODs.	This email sent by Noticee 1 to Noticee 5 does not lead me to the conclusion that the operational structure and hierarchy in communication in DHFL was different from any other company.
9.	Emails dated January 07, 2016 and	An email was sent by Ms. Niti Arya on January 07, 2016 which states that pursuant to LODR Regulations, a CEO and CFO certificate will be required	Noticee 5 has relied on the emails to claim that given that his role at DHFL was limited	As stated before, while Noticee 5 may have taken into account the inputs of the functional heads and the CFO, the

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
	January 08, 2016	to be placed before the board of directors along with the financial results in the meeting scheduled on January 20, 2016. To this, Noticee 5 asked "How did we manage last time". Ms. Niti Arya responded that previously such guidelines were not applicable. An email was sent by Ms. Niti Arya to Noticee 5 which contains a draft email. The draft email states that LODR Regulations became effective from December 01, 2015 and one of the requirements as informed by the secretarial department is that CEO and CFO are required to place a certificate before the board certifying that the financial results do not contain any false or misleading statement and do not omit any material fact. Since the accounts department does not report to Noticee 5, but the content of the subject falls within the purview of the accounts department, Mr. Santosh Sharma (Noticee 6) is required to certify as per the format attached which will enable Noticee 5 in the capacity of CEO to certify in a similar format to the board.	to retail operations, the CEO and CFO certificate extended beyond his designated responsibilities. Post discussion with the company secretary, she sent a draft communication to Noticee 5 to be forwarded to the CFO (Noticee 6). This demonstrates that the CEO certification was subject to sign-off by the CFO.	ultimate responsibility lay with both the CEO and CFO to ensure that the financial statements gave a true and fair view of the Company's affairs. The CEO & CFO certificate cannot be reduced to a mere formality. Thus, the argument of Noticee 5 that he cannot be held responsible for CEO and CFO certificate is not tenable.
10.	Minutes of board meeting of DHFL held on May 04, 2016, May 03, 2017, July 21, 2017 and April 30, 2018	Minutes for meetings held on May 04, 2016, May 03, 2017, July 21, 2017 and April 30, 2018 state that the compliance certificate provided by the Chairman & Managing Director (for meeting held on April 30, 2018, in addition, Joint MD & CEO) and Company Secretary of DHFL is placed for review before the board. The compliance certificate has been	Noticee 5 has relied on the above to claim that it was a standard practice of obtaining a compliance certificate from senior management personnel. It was not possible to check every entry.	

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
		issued basis the confirmation received from the functional heads of the respective departments. The copies of the said confirmations were also placed before the board.	The system relies on trust in management's integrity. Although Noticee 5 signed the compliance certification under the LODR Regulations, this was based on the confirmations provided by the functional heads of the respective departments including the CFO.	
11.	Email dated January 13, 2017	An email was sent by Noticee 1 to "Functional Head All" discussing Tech 2.0.	Noticee 5 has relied on this email to state that there was no mention of FoxPro in the said email.	While this email does not refer to "FoxPro", email dated April 25, 2018 marked to Noticee 5 from Ms. Jyothirlatha B does. Thus, this email does not
12.	Email dated November 07, 2017	The email was sent by Ms. Jyothirlatha B to Noticee 5 and others alongwith a document on data migration for loans which was prepared after incorporating feedback from different functions. The document was attached for signoff.	Noticee 5 has submitted that the said document and email do not mention FoxPro, which allegedly houses 2 lakh accounts. The absence of "FoxPro" in the migration document and email suggests that access to it was limited to a few insiders within DHFL.	by itself support Noticee 5's argument that he had no knowledge of existence of FoxPro.
13.	Emails dated July 30, 2018 and August 01, 2018	The emails were sent by Ms. Jyothirlatha B to Noticee 5 along with an excel sheet of KRA for IT department.	Noticee 5 has submitted that the emails do not mention FoxPro.	
14.	Email dated	The email was sent by Mr. Ashish Saraf (an employee of	Noticee 5 has relied on the audit	

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
	March 05, 2019	DHFL) to Noticee 5 along with an IT audit report for the year 2018-19.	report to submit that it does not mention anything related to "FoxPro" being run as a standalone IT system.	
15.	Email dated January 23, 2016	An email is sent by Mr. Pranab Goel wherein he has attached list of questions and draft replies for review and advice. To this, Noticee 1 has responded <i>vide</i> email dated January 23, 2016 that " <i>On developer loans we should not say that our yields are under pressure. I have always maintained in my interactions that we wish to up the developer book anywhere between 10 to 15% and its in line with that</i> ".	Noticee 5 has relied on the email to claim that the said email pertains to an aspect of project finance on which CMD has offered his comment.	The email dated January 23, 2016 merely refers to one category of loan. It does not by itself aid the defence of Noticee 5 that he had nothing to do with BBE loans.  On perusal of the email dated July 02, 2017, it is not clear what was highlighted by Noticee 5 to Noticee 1.  As regards the email dated November 02, 2018 and the trail emails, the claim that there was freeze on disbursement on retail loans while the project finance loans continued to be disbursed, implying that preferential treatment was given to project finance / project loan borrowers, does not aid his defence. There may be different business strategies, risk appetites, approval processes and regulatory considerations involved. These emails, standing alone, do not show that Noticee 5 had no knowledge of BBE transactions or the fact that BBE loans were
16.	Email dated July 02, 2017	An email was sent by Mr. Santosh Nair to "HF-All" and others which discussed growth performance in Q1 compared to last year Q1 and announcing a contest. The above email was forwarded by Noticee 5 to Noticee 1, to which Noticee 1 responded " <i>We need to focus on costs and implementation of tech 2</i> ". Noticee 5 has responded to the above email by expressing concern about the growth of project finance book. Noticee 1 has responded to the above email by stating that " <i>We will slow that down</i> ".	Noticee 5 has relied on the said emails to claim that since he was not directly involved in project finance, he highlighted this to Noticee 1, who mentioned to slow down in this area.	
17.	Email dated November 02, 2018 and trail emails	The email chain pertains to disbursement of Rs. 1.95 crores to Grape City Builders Pvt. Ltd. Vide email dated October 31, 2018 to Mr. Rajendra Mirashie with Noticee 1 in CC, Noticee 5 has raised a question regarding the amount	Noticee 5 has relied on the said email to highlight how the project finance disbursements took place when retail	

#	Date of the email / document relied upon by Noticee 5	Content of the email(s)	Noticee 5's submission / contention	Comments
		of disbursement that is likely to happen given that CMD has instructed no disbursements.	disbursements were put on hold due to ongoing liquidity crisis post IL&FS scenario. Noticee 5 has only 20 emails from the Project finance at DHFL which shows the limited nature of his responsibilities as CEO and KMP (given that the business unit disbursed approximately Rs 10,000 crores in Project Finance).	being shown as retail / housing loans.

130. Mr. Harshil Mehta's attempt, by citing the aforementioned emails, it appears, is to distance himself from the BBE loans on the ground that they were never within his portfolio/ functional jurisdiction in the first place. According to him, he was ignorant of these BBE loans (which were directly handled by Mr. Kapil Wadhawan and his team). By referring to all these emails, Mr. Harshil Mehta also appears to be furthering his argument that SEBI's reliance on a singular isolated email to prove Harshil Mehta's culpability is incorrect. Having already commented on the emails listed above, which have been referred to by Mr. Harshil Mehta, I must also add, that while an isolated email cannot be the sole basis to demonstrate Harshil Mehta's knowledge of affairs in DHFL i.e. fund diversion through 'loans' to BBEs and financial mis-statements, what the email demonstrates is that while Mr. Harshil Mehta may argue that he did not directly know about BBEs, it is amply clear that there were enough and more reasons for him to find out given the sudden discovery of something called 'Bandra portfolio'. Some of the emails that Mr. Harshil Mehta himself has referred to, only bolsters this conclusion. For instance, the emails dated March 12, 2015, May 23, 2017, and May 03, 2018 sent by Mr. Vikas Arora (former Executive VP - Collection & Recovery and thereafter Chief Operating

Officer, DHFL) to Noticee 5 which enclosed collections PPT updated for February, 2015, April, 2017 and March, 2018 performance, refers to the total portfolio of housing loans reported to Noticee 5. When the total portfolio of housing loans reported to him is compared with the housing loans disclosed in the balance sheet of DHFL, clear inconsistencies can be seen, which are tabulated below:

**Table 25: Difference in housing loan amounts reported to Mr. Harshil Mehta and the amounts in the financial statements of DHFL**

*(INR in crores)*

FY	Housing loan amounts reported to Noticee 5 vide emails dated March 12, 2015, May 23, 2017 and May 03, 2018	Housing loan amounts in the balance sheet of DHFL	Difference
	Column A	Column B	(Column B - Column A)
2014-15	33,954.72	45,006.08	11,051.36
2016-17	45,957.02	66,630.89	20,673.87
2017-18	57,014.51	83,151.24	26,136.73

I find that any prudent person would have acknowledged and questioned such huge variance between the numbers reported to him vs. the numbers disclosed to the public. Importantly, a CEO certifying financials in a fiduciary capacity would certainly be expected to raise questions around such glaringly obvious and material mismatches. Failing to do so suggests a deliberate attempt to ignore inconvenient truths. Being in charge of the retail portfolio, as repeatedly claimed by Noticee 5, also means that such glaring inconsistencies fell squarely within his executive responsibility.

131. The letter submitted by Noticee 1 to the board of DHFL *inter alia* states that Noticee 5 is responsible for “*incremental retail business*” (which is also corroborated by minutes of board meeting of DHFL held on November 21, 2018) and that under his term as CEO, the “*disbursement grew from 1297 Cr to 2128 Cr, which is a growth of 83% compounded, and AUM for the retail business grew from Rs. 52,214 Cr to Rs. 72,696 Cr, which is 89% compounded growth during the above period.*” Noticee 5 during the hearing held on February 05, 2025 and in the submissions dated February 11, 2025, has claimed on the

basis of the aforesaid letter that the loans given to BBEs were not included in the AUM reported to him i.e, AUM of INR 72,696 crores, and therefore, he was also kept in dark by Noticee 1. He has submitted that if the amount of “home loans” and “other loans” for the FY 2016-17 were combined then the total AUM would be INR 83,559.92 crores, of which, as per the SCN, the BBE retail loans were INR 12,178.36 crores, which makes the AUM as on March 31, 2017 INR 71,382.47 crores (*i.e*, difference of INR 1,314.53 crores is attributed to the time elapsed between March 31, 2017 and August 30, 2017). In this regard, I find that even if this argument is to be accepted, by admission of Noticee 5 the AUM in the Annual Report of DHFL was INR 83,559.92 crores as on March 31, 2017 and the AUM reported to him in November, 2018 by Noticee 1 was INR 72,696 crores. Hence, there was a clear inconsistency between the AUM amounts being projected to the investors at large by DHFL and to Noticee 5. I find it difficult to countenance that despite the decrease of INR 10,863.92 crores in a matter of 8 months between the AUM reported in the Annual Report of DHFL and the AUM reported to Noticee 5, he did not know the true nature of BBE transactions. Regarding the above inconsistency, during the hearing held on February 05, 2025, Noticee 5 was asked the rationale for not exercising relevant due diligence. I note that in the said hearing and in the submissions dated February 11, 2025, Noticee 5 has submitted that in hindsight, he should have reconciled the numbers.

#### Funds disbursed to BBEs during Noticee 5's tenure

132. Noticee 5 has further contended that when Noticee 5 joined DHFL in the year 2015, loans to BBEs had already accounted for 25.65% of the total loan book and constituted a portion of the overall Assets under Management (AUM). According to the data provided in Table 10 of the SCN, the percentage representation of BBEs within the overall outstanding loans has come down during the tenure of Noticee 5. This decrease can be attributed to two main factors: (i) Noteworthy declines or even complete absence of BBE disbursements; (ii) Substantial growth in the disbursement of "genuine" loans. Basis the available data, disbursements of BBE commenced in the FY 2007-08 and extended until FY 2017-18. Borrowings from the market, as indicated in Table 11 of the SCN, commenced in FY 2008-09. These datasets when read together reveal that starting from FY 2008-09, when DHFL began market borrowings, BBE disbursements were a

constituent, accounting for 35.14% of total loans. This pattern persisted till the end with percentage of BBE loans coming down in last 4 years. This trend leads to a noteworthy inference that throughout the years, beginning with 2007-08, the financial records contained fraudulent disbursements. According to Noticee 5, these same deceptive financials were presented during the borrowing phases.

133. In this regard, I note that during the years 2015-2016 and 2016-2017 (when Noticee 5 was the CEO of DHFL), total amounts disbursed to BBEs were INR 1,129.48 crores and INR 25.27 crores, respectively. Further, total collections in the aforesaid years were more than the total disbursements. No amounts were disbursed in the years 2017-2018 and 2018-2019 when Noticee 5 was the Joint Managing Director and the CEO of DHFL. From Table 8 above, it is clear that when Noticee 5 joined DHFL, BBEs loans amounted to 25.65% of total loans (whereas in FY 2008-2009, BBE loans amounted to 35.14% of the total loans). Thus, the submission of Noticee 5 that during his tenure BBE loans as percentage of total loans were coming down is correct. However, it cannot be ignored that during the earlier period when Noticee 5 was the CEO (*but not Joint MD*) in DHFL (i.e, from January 17, 2015 to August 31, 2017) approximately INR 1,154.75 crores were disbursed to BBEs in FYs 2015-16 and 2016-17. Noticee 5's defense is that the financial records containing fraudulent disbursements escaped his attention since this fraud had taken place from FY 2007-08 onwards. Clearly this argument does not advance his case. Every reasonable person is expected to sign any document only after reading and understanding contents of the document. In absence of coercion or undue influence, signature of a person on document is proof that he has accepted or consented to contents of document. By signing the financial statements for the year FY 2017-2018 and the CEO / CFO certification for the FYs 2015-2016, 2016-2017 and 2017-2018, Noticee 5 has attested to the misstatements contained in the financial statements.

#### CMD letter dated November 21, 2018

134. Noticee 5 has submitted that in August/ September, 2018, Noticee 5 had discussed with Mr. Kapil Wadhawan (Noticee 1) concerns that he had with respect to large project loans which were later highlighted in the Cobra Post article in February, 2019<sup>55</sup>. Pursuant to

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<sup>55</sup> <https://www.cobrapost.com/blog/biggest-financial-scam/1373>

this, Noticee 1 wrote a letter to the board of DHFL dated November 21, 2018, seeking indemnity. In this regard, I note firstly that Noticee 5 has not explained what triggered such concerns and when exactly these concerns started to bother him. Also, I note that that Noticee 5 had concerns regarding certain loans (BBE transactions), he did not inform the authorities. On August 13, 2018, he also signed on the CEO / CFO certificate for the first quarter ending on June 30, 2018.

#### Reference check submitted by Noticee 5

135. The reference check dated October 2019 attached by Noticee 5 as part of his replies, has been prepared by one of the Big 4 firms. It does not appear to be the final report as it states “*Draft for discussion purposes only*” in the header. Nevertheless, some relevant excerpts from the said report are as follows:

#### *“3.4 Market Intelligence*

...

*Describing his roles and responsibilities at DHFL, sources stated that Harshil had been the Joint Managing Director (‘JMD’) and CEO heading the Retail Finance vertical of DHFL since September 2017. Explaining the internal business structure of DHFL, the sources noted that DHFL operations were structured into two separate verticals headed by separate CEOs. Harshil was in-charge of the Retail Finance vertical, with an approximate business of INR 80,000 crore (USD 11.43 billion), while the balance INR 42,000 crore (USD 6 billion) business vertical of Wholesale Finance was entirely managed by the Chief Managing Director (‘CMD’), Kapil Wadhawan (‘Kapil’). The sources indicated that Harshil did not have any control over the Project Finance and treasury functions.*

..

*When enquired about potential involvement of Harshil in the financial fraud allegations that tarnished DHFL, sources stated that Harshil had realised that the books of accounts pertaining to the wholesale business at DHFL, had multiple red flags which needed to be fixed immediately after he was made the JMD & CEO. When Harshil raised the issues with the CMD, Kapil had assured Harshil that he would unwind the wholesale book down to 10 per cent and remove the operational red flags.*

...

*We would like to term the above information as hearsay in nature”.*

Thus, in addition to stating that the report is a draft, the report also states that the information under the heading “Market Intelligence” is hearsay in nature. Thus, I find it difficult to rely on the said report. Notwithstanding the above, even if the report is taken into consideration, the report *inter alia* states that Noticee 5 realised that the books of accounts pertaining to the wholesale business at DHFL had multiple red flags after he was made JMD & CEO. The above sentence leads me to the conclusion that from the year 2017 onwards (i.e., the year in which Noticee 5 was appointed as the JMD and CEO), he had information about the transactions with BBEs, and yet, he did not inform the authorities. Therefore, the reference check / report attached, does not help the case of Noticee 5; if anything, it only bolsters SEBI’s case.

Absence of oral evidence against Noticee 5

136. Noticee 5 has pleaded that none of the individuals or employees who were summoned or whose statements were recorded have mentioned Noticee 5 in connection with the BBE disbursement process. I find that the absence of oral evidence against Noticee 5 is not fatal to the present case as long as there is other evidence which is capable of proving the fact that Noticee 5 had knowledge of the BBE disbursements or the Bandra portfolio. Such documentary evidence has been discussed above. Hence, this argument is also without merit.
  
137. The CEO’s role in a corporation is not just about steering the company towards profitability and growth, but also about ensuring the adherence to laws, regulations, and ethical standards. When a CEO discovers fraudulent activities in a company, it is their duty to probe further, stop any fraudulent activity, remedy them if possible, and immediately report these findings to the relevant authorities. This is not just a moral obligation, but a legal one as well. In view of the above paragraphs, I find that Noticee 5 he failed to discharge his duties as Managing Director and KMP leading to non-disclosure of interest of Promoters in BBEs and misrepresentation of financial statements and thereby violated:

- (i) Regulations 4(1)(a), (b), (c), (g), (h), (j), 33(1)(a), (c) and 48 of SEBI LODR Regulations read with section 27 of the SEBI Act; and
- (ii) Regulations 4(2)(f)(i)(2), 4(2)(f)(ii) (6), (7), 4(2)(f)(iii)(1),(3), (6), (12) of LODR Regulations.

Further, by furnishing misleading CEO/CFO certificate in the annual report of the Company for FYs 2015-16, 2016-17 and 2017-18, Noticee 5 has violated regulation 17(8) of LODR Regulations.

Summons issued to Noticee 5

138. The SCN alleges that by giving false submission to SEBI about being unaware of FoxPro software and BBEs in his reply to SEBI summon, and through his statement recording before the Investigating Authority, Noticee 5 has allegedly violated section 11C(2), 11C(3) and 11C(5) of the SEBI Act. In this regard, I note that in his submissions to SEBI vide letter dated October 27, 2021 and statement recording on June 09, 2022, Noticee 5 has submitted the following:

- (a) His role was confined to the retail business of DHFL covering home loan, loan against property and SME loan booked through Synergy system.
- (b) He had no knowledge of “Bandra Branch” or “Bandra Book”.
- (c) He has correctly reported the financial statements of the retail operations that was within his domain and did not submit any false or misleading statements.
- (d) Mr. Jayesh Shah, Ms. Jyothirlatha and Mr. Pradeep Rajput were in-charge of IT department and reported directly to CEO.
- (e) He used to attend audit committee meetings.
- (f) He has never heard of FoxPro Software and is not aware of any FoxPro system used by DHFL for camouflaging any alleged BBEs.
- (g) He is not aware of any loans given to BBEs nor did he authorize any of these loans.
- (h) He is not aware of any automated IT Program used to account disbursements made to BBEs in small ticket size loans.

As set out in the previous paragraphs, Noticee 5 was aware of the disbursements to BBEs by virtue of his email dated April 25, 2018 wherein he has explicitly referred to the “Bandra Portfolio”. Thus, his statement about not knowing about “Bandra Books” is patently false. Accordingly, I hold that Noticee 5 has violated section 11C(2), 11C(3) and 11C(5) of SEBI Act.

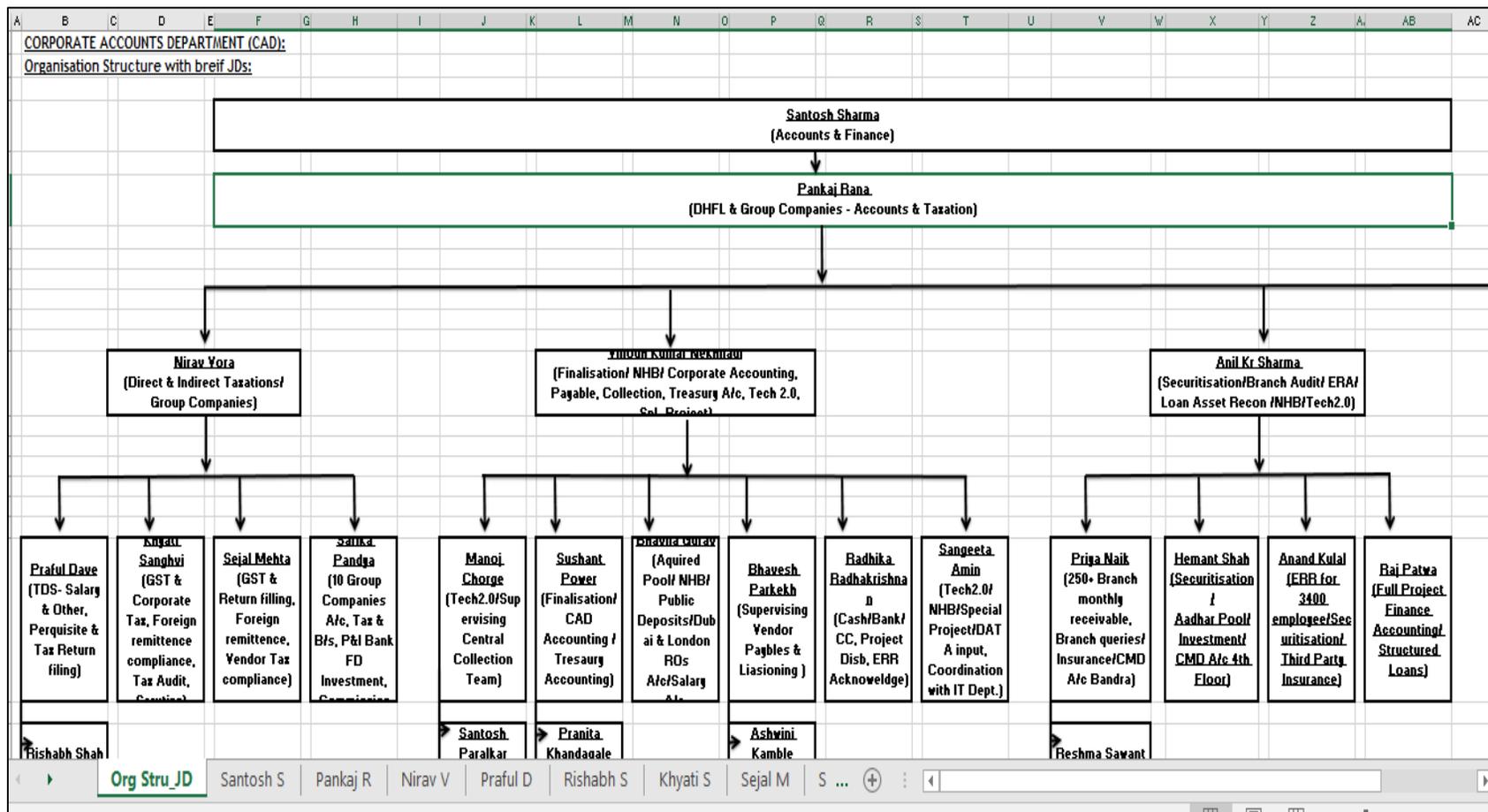
**Role of Mr. Santosh Sharma (Noticee 6), Chief Financial Officer (CFO)**

139. Noticee 6 has submitted that he was given the additional role of CFO on a temporary basis and his role continued to remain that of Treasury/ Finance Head. He had no role in preparation of accounts which was instead done by a team headed by Mr. Jayesh Khona (*and later by Mr. Pankaj Rana*) who directly reported to the CMD. Noticee 6 also claimed that while Mr. Pankaj Rana administratively reported to Noticee 6, in practice, he reported directly to the CMD and Mr. Jayesh Khona. Noticee 6 has relied upon emails dated June 01, 2017, May 30, 2017 and September 26, 2017 to contend that no person from accounts team was reporting to him and that the accounts team was headed by Mr. Pankaj Rana. According to him, throughout his tenure, he was involved only in the borrowing side of DHFL. Disbursements of loans did not fall under his domain. In February 2017, the Company appointed a new Treasury Head, Mr. Bharat Prateek, instead of CFO. Noticee 6 claims that he expressed his displeasure regarding the same and addressed emails to the CMD.
140. Noticee 6 has submitted that he was given the additional role of CFO on a temporary basis and his role continued to remain that of Treasury / Finance Head. To support this submission, Noticee 6 has relied on emails dated November 25, 2018 and January 25, 2019 sent by him to Kapil Wadhawan requesting him to relieve him of his CFO responsibilities.
141. I note that Santosh Sharma (Noticee 6) was alleged to be the CFO of DHFL from April 30, 2014 to March 16, 2019. He assumed the role of Head – Corporate Strategy w.e.f. March 16, 2019. Prior to being appointed as CFO, he was Assistant General Manager in DHFL reporting to Treasury / Finance Head in DHFL from FY 2007 to FY 2010 and he was appointed as Treasury / Finance Head in DHFL for FY 2013-2014. Thus, I note that

Noticee 6 had long association with DHFL and particularly involved in the finance matters of DHFL. As CFO, Noticee 6 directly reported to the CMD as per the organization structure submitted by DHFL as on March 31, 2017, and March 31, 2018.

142. I note that Noticee 6 has not been able to produce any document which has been approved by the board of DHFL which would classify his role as a Treasury / Finance Head instead of a CFO. On the other hand, the certification of financial statements for FYs 2014 to 2018 clearly point to Santosh Sharma having signed in the capacity of DHFL's CFO. Thus, evidently, Noticee 6 was discharging the responsibilities of a CFO from April 30, 2014 to March 16, 2019 in DHFL.
143. I note from the organization structure submitted by DHFL that as on March 31, 2017, and March 31, 2018 (*refer Image 12 and Image 13 above*), Mr. Pankaj Rana (former Senior VP- Accounts & Taxation, DHFL) reported to Noticee 6 (*Mr. Pankaj Rana is an important individual in the context of this case as Ms. Priya Naik, Mr. Hemant Shah and Ms. Sangeeta D Amin who were the key persons dealing with accounting softwares for BBE loans in DHFL in their respective statements have either stated that they were reporting to Mr. Pankaj Rana or stated that to their knowledge Mr. Pankaj Rana had access to all accounts module in DHFL*). In this regard, I note that Noticee 6 has relied on the email dated September 26, 2017 sent by Mr. Pankaj Rana to Mr. Santosh Sharma (Noticee 6) to submit that the accounts department was headed by Mr. Pankaj Rana and not by him. On perusal of the email, I note that the attachment to the email contains an organization chart. While the organization chart shows that various accounts functions (such as GST & corporate tax, TDS & returning filing, tax etc) were headed by Mr. Pankaj Rana, it does not show who Mr. Pankaj Rana was reporting to. However, if the organization chart provided by the Company to SEBI is also considered, the only reasonable inference that can be drawn is that Mr. Pankaj Rana was in fact reporting to Noticee 6. Further, the email dated February 19, 2018 (which contains an organization structure and JDs of employees of DHFL– reproduced below) sent by Mr. Vinodh Kumar Nekhiladi (former AVP - Corporate Accounts, DHFL) to Mr. Santosh Sharma also corroborates that Mr. Pankaj Rana was reporting to Mr. Santosh Sharma.

Image 17: Organization structure sent by email to Noticee 6 vide email dated February 19, 2018



**Image 18: Job description (JD) of Mr. Pankaj Rana sent to Noticee 6 vide email dated February 19, 2018**

A5		Reporting to : Mr. Santosh Sharna (CFO)					
A	B	C	D	E	F	G	H
1	<a href="#">Back</a>						
2							
3	<b>Pankaj Rana</b>						
4	Department	: Accounts & Taxation					
5	Reporting to	: Mr. Santosh Sharna (CFO)					
6	DOJ	: 12th July 2012					
7							
8		<b>1 Some achievements/ key initiatives taken</b>					
9							
10	(a)	Saved more than Rs 5 crores by identifying excess interest and Commitment charges etc charged by banks and played a role getting the same reversed by various					
11	(i)	Found that Bank of India had levied excess interest of Rs 2.50 crore in the financial year 2011-12 (audited period prior to my joining)					
12		This bank had debited interest @ 21% in respect of two loan for entire year instead of 10.5%					
13	(ii)	Time and again played a role in reversing the lacs of rupees debited by the bank as commitment charges for under utilising the CC facilities					
14	(iii)	Put the manual control of verifying monthly interest debited by bank on term loans and CC accounts. Found many instances of excess interest charged by bank					
15	(iv)	Recent example (Sept 17) is reversal of Rs 10 lacs of excess charges debited by Axis bank in CMS a/c, Excess interest of Rs 5.20 lacs charged by UBI					
16	(v)	Formulated the proper system for computation of total income as per Income tax law.					
17	(vi)	Recovered Rs 33.30 lacs from Catholic Syrian Bank in Jan 13. The money was lying since 1995 and accounts had become dormant					
18							
19	(b)	Successfully completed the accounting of merger with First Blue in January 2013 when the 'plan A' failed and given the responsibilities at 11th hour.					
20							
21	(c)	Realign the job responsibilities among team members according to their capabilities and potential					
22							
23	(d)	Developed upload facilities with the help of IT to reduce the processing time.					

144. Noticee 6 has also attached with his reply the statement given by Mr. Pankaj Rana to KMPG and CBI which according to him shows that Noticee 6 was not involved in the process of loan disbursement to BBEs. In this regard, I note that in the statement to KMPG, Mr. Pankaj Rana has submitted as follows:

*“Mr.Pankaj Rana confirmed that Mr.J N Shah, Mr. Harshil Mehta and most of the top people in DHFL were aware of these Bandra Book portfolio and its disbursement being made to promoter entities”*

*“...Mr.Santosh Sharma advised Mr.Pankaj Rana to not give the information/ date in reference to UBI 4098 bank account to KMPG”*

145. It is not clear from the email what the expression “*most of the top people in DHFL*” refers to. But given that Noticee 6 was a KMP and directly reporting to the CMD, it would be reasonable to infer that “*top people*” includes Noticee 6 as well. Therefore, this email referred to by Noticee 6 in his reply, does not aid his defense.

146. The SCN also relies on the KRA of Mr. Santosh Sharma (Noticee 6) submitted by the Company in its submissions *vide* letter dated December 03, 2021, to allege that he was in charge of accounting functions of the company and therefore aware of the irregularities with respect to the loans extended by the “Bandra Branch”. I note from the KRA that the job profile of Noticee 6 referred to accounting process efficiency- responsible for complete accounting functions which includes financial reporting, balance sheet management etc. He was responsible for the entire Corporate and Accounts Department of DHFL, which was responsible for supervising and managing corporate accounting, finalisation of accounts and audit, implementation and supervising -Tech-2, GST, Indian AS (IFRS), compliances - NHB, IRDA and others, etc. In his defense, Noticee 6 has submitted that there was no official communication of such KRA either from the board of directors or the CMD. On becoming aware of the KRA, Noticee 6 claims to have immediately objected to the KRA issued and spoke to the HR Head Mr. Rajendra Mehta about it. Noticee 6 also sent emails regarding his non-acceptance of such KRA. The HR conveyed that CMD would speak to Noticee 6 and finalize the same. According to

Santosh Sharma, since the KRA was not officially sent by DHFL’s Board or CMD, the KRA was not even used for appraisal purpose and simply became a draft document. It was uploaded by DHFL’s HR without any context and it was incorrect. As such, according to him, the KRA cannot be relied upon. Mr. Santosh Sharma has further relied upon an email dated May 24, 2017 exchanged between him and Rajendra Mehta which records his objection to the KRA and also explains his functions in the company which according to him was agreed upon by Mr. Rajendra Mehta.

147. I note that the KRA referred to in the SCN reads as follows:

**Table 26: KRA of Noticee 6**

FY 2017-18	
KRA	Objective
Financial	Accounting Process Efficiency- Responsible for complete accounting functions which includes inter company accounting , TAX management , reconciliation , financial reporting , balance sheet management etc. Responsible for managing Internal and external Audit . Responsible for the implementation of agreed upon recommendations, resulting from the audit findings .Taxation- Minimize tax liabilities through informed application of tax laws and regulations. Establish appropriate system or processes to reduce tax risk and other financial implication for the Group
Internal Process	GST Implementation-Ensure timely and accurate filing of all corporate and personnel income tax and GST returns
Customer	Provides technical accounting gap guidance and support to all functions. At times, this may include involvement in due diligence and other activities surrounding acquisitions/dispositions. Manage external tax authorities and consultants locally and regionally
Learning & Growth	Capability Building & Retention of Key Resources

148. The email dated May 24, 2017 relied upon by Noticee 6 to contend that he objected to the above KRA reads as follows:

*“The major part of my KRA missing in whatever u have stated which is as follows:*

*1. Any finance company has 2 main functions i.e. 1. Lending 2. Sourcing funds at competitive cost called Resources (i.e Borrowing). I am handling all Resources raising all kind of fund raising (Debt and Equity) except retail fund (Public deposit) such as Bank borrowing, Non Convertible Debentures (from Debt market whole sale as well as retail), External Commercial Borrowing (Foreign Currency loan from lenders situated abroad), NHB refinance, Commercial Paper (CP), Securitisation / Direct assignment. During 2016-17 we have raised around Rs 39000 cr from debt market thru all these sources. Dealing with 37*

*banks, with 15 Mfs, LIC, other private insurance companies, foreign banks and multilateral agencies such as ADB, IFC and DEG. In order to contribute to profit the cost of fund plays a vital role hence we strive to reduce cost wherever up whatever extent possible, in this FY we have reduced overall cost of borrowing by 84bps amounting to Rs 670 cr annually*

*2. Equity raising thru sale of strategic sale of investment in Insurance DPLI we could monetize to the extent of Rs 2000 cr. for which the excellence award was given jointly with Secretarial in last ABM.*

*3, Any finance company needs to maintain the appropriate liquidity to carry the operations smoothly, in order to generate optimum returns on the liquidity in hand the Treasury book is maintained I am responsible to maintain appropriate liquidity and maximize the return on treasury book without taking any aggressive risky calls of investment, hence responsible to invest the excess funds in different products such as Mutual funds different schemes, Gsec, ICD, Investing into IPOs, IPO funding thru alternate sources being CP ICD for short duration. Investment in different Bonds etc to have Treasury as*

*4. Responsible to upgrade and maintain Domestic and International External Credit Rating for Long Term, Short term debt as well as for securitization. As of today we have AAA rating from CARE for long term and A1+ from CRISIL and ICRA, AAA(SO) for securitization from CRISIL and ICRA o*

*5. Responsible to meet and participate in Equity and Debt investors abroad road shows*

*6. Overall supervision of Accounts, MIS, part of ALCO committee responsible to Board as of KMP(Key Management Personnel )*

*Most of KRAs written by you are applicable more to Head Accounts Mr Pankaj Rana and Head Taxation Mr Nirav Vora I look after these functions more at supervisory level.*

*(emphasis supplied)*

To this, Mr. Rajendra Mehta has responded to Noticee 6 on the same day:

*“Sir...that was just indicative heads...I did write that feel free to ammend that, you being the domain specialist you are at a better position to fill that up. I was just giving a structure to that so that its uploaded uniquely for all of us”*

Thus, from the above, despite Noticee 6's claims, he has admitted that part of his KRA was “*Overall supervision of Accounts*”. Further, from the reply email of Mr. Rajendra Mehta, it does not appear that the objection raised by Noticee 6 attained finality. Thus,

contention of Noticee 6 that the KRA furnished by the Company must be ignored in totality, is without merit.

149. Importantly, Annexure 4 to the SCN (Email ERP Existence->Email 15.02.2018 & 19.02.2018) refers to an excel sheet titled "*Org Structure \_JDs\_Accounts\_Final*" which was sent by Mr. Vinodh Nekhiladi (*former Deputy VP- Accounts, DHFL*) to Noticee 6 *vide* emails dated February 15, 2018 and February 19, 2018. The said excel sheet records that Mr. Santosh Sharma is the Head of Accounts and Finance and other employees including Mr. Pankaj Rana, Ms. Sangeeta Amin, Ms. Priya Naik, and Mr. Hemant Shah were reporting to him. In the job description of Ms. Sangeeta Amin, it explicitly states that she is responsible for "Bandra Portfolio management- monthly" which involves:

"

- (a) *Any changes in program if required in foxpro to generate monthly due and disbursement and other necessary activities*
- (b) *Updation of Names in new disbursement done in bandra from previously closed cases*
- (c) *Updation of application numbers in newly disbursed cases for the month*
- (d) *Distribution of new disbursed cases in 6 branches of Mumbai and also change in loan codes.*
- (e) *Make data ready to provide complete loan portfolio"*

150. In the job description of Ms. Priya Naik, the following is stated:

"

*Name of Process Bandra (In Foxpro system)*

*Receivable Run process*

*Run re-index*

*master update*

*Loan Master update*

*Run R option*

*Run PEMI receivable calculation*

*Run EMI receivable calculation*

*APS run process (Recd)*

*Passing EMI received*

*Passing PEMI received*

*New disbursement booking*

*Montly backup*

*Generation of data to upload in online System*

*After finishing entry in Foxpro do entries in Synergy system.”*

151. Moreover, the job description of Ms. Sangeeta Amin lays down some of the steps used to camouflage loans to BBEs as retail loans, for example, it states “*Any changes in program if required in foxpro to generate monthly due and disbursement and other necessary activities*” and “*Updation of Names in new disbursement done in bandra from previously closed cases*”. As the CFO, on receipt of the aforesaid KRA, organisation structure and job descriptions, Noticee 6 should have raised doubts as to what the reference to “*Bandra*” in the job descriptions of some of the employees (*refer job descriptions of Ms. Priya Naik and Ms. Sangeeta Amin*) means, which he apparently did not do. All this clearly points towards the complicity of Noticee 6 in the violations alleged in the SCN.
152. Noticee 6 has also contended that the CEO / CFO certificate signed by him were pursuant to confirmations received from departmental heads and that the said certificate is signed basis a *bona fide* belief that the statements are true and correct. I find that Noticee 6 avoid responsibility of ensuring the correctness of the statements by shifting the onus to the departmental heads. While he may have taken into account the inputs of the departmental heads and individuals reporting to him, the ultimate responsibility also lay with him to ensure the true and fair view of the financial statements. Accordingly, by furnishing misleading CEO / CFO certificate for the FY 2014-15 to FY 2017-18, Noticee 6 has violated Clause 49 (IX) of the Listing Agreement (post amendment dated April 17, 2014) read with section 21 and 24 of SCRA and regulation 17(8) of SEBI LODR Regulations.
153. The SCN also alleges that by giving false submission to SEBI about being unaware of FoxPro software and BBEs in his reply to SEBI summon, and through his statement recording before the Investigating Authority, Noticee 6 has allegedly violated section 11C(2), 11C(3) and 11C(5) of the SEBI Act. In this regard, I note that Noticee 6 in his submissions to SEBI *vide* letter dated October 25, 2021 and in his statement recording to SEBI on June 06, 2022 has submitted the following:

- (i) He was reporting directly to Mr. Kapil Wadhawan and his responsibility was fund raising through various modes. The loan sanctions and disbursements was handled by team headed by CEO.
- (ii) He was not aware of any softwares. Fund allocation team and accounts team used to coordinate.
- (iii) He was not aware what systems were put in place by the Company for converting uncollected amount of monthly EMI into fresh disbursement at the time of month end process run in FoxPro system.

As set out above, the cumulative effect of the KRA, the organization structure of DHFL, the emails sent to him containing the job descriptions of Priya Naik and Sangeeta Amin and the signing of financial statements and CEO / CFO certification leads me to the conclusion that Noticee 6 was aware of the softwares and the transactions to BBEs. Therefore, the information provided by him as a response to the summons and the statement recorded before SEBI's Investigating Authority is false. Accordingly, I find that Noticee 6 has also violated section 11C(2), 11C(3) and 11C(5) of SEBI Act.

#### **Whether the Noticees have violated the PFUTP Regulations?**

154. The diversion of funds combined with the misrepresentation of financial statements of DHFL forms the crux of fraud in this case. When funds of a listed company raised for legitimate business purposes – are instead channeled into unrelated or personal ventures, it amounts to a willful misstatement of material facts. The loan amounts reported in the financial statements were material as they directly related to the core business activity of DHFL – lending. In a company whose principal business is giving loans, disclosures regarding the recipients, quantum and collateral of those loans are central to assessing its financial health and performance. By fraudulently recording amounts given to BBEs as retail / housing loans and also inflating such amounts, DHFL fundamentally distorted the picture presented to its investors and regulator.

155. It is alleged in the SCN that Noticees 1 to 6 have violated section 12A(a), (b) & (c) of the SEBI Act and regulations 3(b), (c) & (d), 4(1), 4(2) (f), (k), (r) of PFUTP Regulations. In this regard, it is important to refer to the language of the aforesaid provisions:

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

**12A.**

*No person shall directly or indirectly—*

*(a) use or employ, **in connection with** the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

*(b) employ any device, scheme or artifice to defraud **in connection with** issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*

*(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, **in connection with** the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

*(emphasis supplied)*

**3. Prohibition of certain dealings in securities**

*No person shall directly or indirectly—*

*(b) use or employ, **in connection with** issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

*(c) employ any device, scheme or artifice to defraud **in connection with** dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

*(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person **in connection with** any dealing in or issue of securities which are listed*

*or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

*(emphasis supplied)*

#### **4. Prohibition of manipulative, fraudulent and unfair trade practices**

*(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a <sup>56</sup>[manipulative], fraudulent or an unfair trade practice in securities <sup>57</sup>[markets].*

<sup>58</sup>*[Explanation.— For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]*

*(2) Dealing in securities shall be deemed to be a [manipulative]<sup>59</sup> fraudulent or an unfair trade practice if it involves [any of the following]<sup>60</sup>:—*

*(f) <sup>61</sup>[knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information <sup>62</sup>[relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*

<sup>63</sup>*[(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities];*

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<sup>56</sup> Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 1, 2019.

<sup>57</sup> Ibid

<sup>58</sup> Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.

<sup>59</sup> Ibid

<sup>60</sup> Substituted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 1, 2019. Before the substitution the words read as "fraud and may include all or any of the following, namely"

<sup>61</sup> Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 1, 2019.

<sup>62</sup> Ibid

<sup>63</sup> The provisions were previously substituted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f.

(r) <sup>64</sup>[knowingly] planting false or misleading news which may induce sale or purchase of securities;

156. To establish a violation of section 12A of the SEBI Act, and regulation 3(b), (c), and (d) of PFUTP Regulations, it must be determined whether the scheme or device in question effectively deceives or defrauds investors “dealing” in the company’s securities. “Dealing in securities” is defined under regulation 2(1)(b) of PFUTP Regulations. The definition of “*dealing in securities*” as per regulation 2(1)(b) of the PFUTP Regulations, with effect from February 1, 2019, explicitly *includes* “*such acts which may be knowingly designed to influence the decision of investors in securities*” and “*any act of providing assistance to carry out the aforementioned acts.*” Regulation 3 (b), (c) and (d) of PFUTP Regulations mandates that no person shall “*directly or indirectly*”, employ or engage in any act or device or schemes “*in connection with*”, *inter alia*, purchase, sale, or dealing in securities. This aforesaid text does not restrict the applicability of these clauses to those that are directly dealing in these securities alone. It is therefore clear that these provisions are not only applicable to those entities that have directly dealt in securities, but also to entities undertaking any act designed to influence the decision of investors in securities, and to those providing assistance to the fraudulent scheme.

157. The explanation to regulation 4(1) of the PFUTP Regulations, which was inserted on October 19, 2020, “for the removal of doubts” clarifies (*i.e.* something which was earlier implicit has now been made explicit by adding the aforesaid explanation)<sup>65</sup> that any act of diversion or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act to manipulate the books of accounts or financial statement which would manipulate the price of securities would be deemed to have always been considered as manipulative, fraudulent and unfair trade practice in the

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February 01, 2019 and before the said substitution the provision read as follows: “an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors”.

<sup>64</sup> Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 1, 2019.

<sup>65</sup> In this regard, I refer to the Report of Committee on Fair Market Conduct which examined the provisions of PFUTP Regulations and observed at para 1.3 at page-24 that “*In order to provide more clarity that the conduct/practices relate to entire securities market, as well as for consistency with Section 11(2)(e) of the SEBI Act, including activities such as giving advice, unauthorized trading, misselling, diversion of funds etc., which may impact the eco-system of securities market, it would be prudent that the regulation refers to the securities market rather than just securities.*” (emphasis supplied).

securities market. This clarification effectively reiterates the prohibitions stated in section 12A of the SEBI Act and regulation 3 of the PFUTP Regulations. Further, regulation 4(2) of PFUTP Regulations lists specific instances wherein dealing in securities are deemed to be manipulative, fraudulent or unfair.

158. As discussed above, when a listed entity diverts substantial funds without proper disclosure, investors – unaware of the company's actual financial condition - are misled into making investment decisions based on incomplete or incorrect information. This lack of transparency causes investors to continue trading in the company's securities under false assumptions, ultimately leading to an artificial inflation of stock prices driven by undisclosed misappropriation of funds. Further, the paragraphs above in this Order have brought out how financial statements of DHFL were misrepresented by showing fictitious interest income from the BBEs and if the Company had presented the real picture of its financial statements excluding the interest income from the loans given to the BBEs, the Company would have been reported losses as early as FY 2007-08.
159. At the outset, I note that Noticees 1 and 2 have not submitted a reply. Further, Noticees 3 and 4 have not argued on the aspect of "fraud". Therefore, I shall be dealing with the submissions made by Noticees 5 and 6 in this regard.

*Submissions of Noticee 5 relating to "fraud"*

160. Noticee 5 has submitted that the email dated April 25, 2018, along with the attached power point presentation on Tech 2.0, does not provide any indication that the Bandra portfolio involved fraudulent transactions. The aforesaid communications were from an IT perspective, and there is no apparent evidence or suggestion of fraudulent activity associated with these communications. In this regard, it is important to note that the charge on Noticee 5 is aiding and abetting Mr. Kapil and Mr. Dheeraj Wadhawan, in using DHFL for implementation of a fraudulent plan and artifice to manipulate its financial statements. The email dated April 25, 2018 sent to Mr. Harshil Mehta which was forwarded by him on April 26, 2018 to Mr. Kapil Wadhawan mentions "Bandra" portfolio. This coupled with the fact that BBE loans were reported under "housing loans" in the financial statements of DHFL which were admittedly managed by Noticee 5 – shows that not only did he have knowledge of the fraud, but he chose to remain silent when he had

a duty to act, thereby, facilitating the fraud. Noticee 5 cannot escape liability by claiming that he did not know what a reasonable person in his position would have discovered.

Submissions of Noticee 6 relating to “fraud”

161. Noticee 6 has claimed that the final accounts which came to Noticee 6 for signature would be audited financial statements. The financial statements would be consolidated statements drawn from the separate books maintained. Unless Noticee 6 conducted a forensic audit there was no way for him to know or suspect any “fraud” happening in the accounts as he was not aware of how the accounts were drawn. As mentioned before, there was an email marked to him containing job descriptions of employees reporting to him which included detailed descriptions of what such employees were supposed to do with respect to BBEs in the softwares of DHFL. Thus, I do not agree with Noticee 6 that only on conducting forensic audit or other types of audit could this fraud have been uncovered. Merely because internal auditors, external auditors and audits sanctioned by regulators were being carried out, which did not discover the said fraud, does not mean that CFO had no responsibility towards the risk management of DHFL. As a CFO, Noticee 6 cannot relinquish his responsibility of ensuring that the financial statements represent a true and fair view basis the aforesaid audits.
162. Without prejudice to his other submissions, Noticee 6 has also claimed that, insofar as any alleged knowledge of BBE loans or transactions is concerned, such knowledge – if at all -- could only have arisen upon receipt of email dated February 19, 2018 (*email contains job descriptions of Ms. Priya Naik and Ms. Sangeeta Amin, each of whom were actively involved with the FoxPro software*). Applying the same rationale, it cannot be said that Noticee 6 was aware of existence of Foxpro or BBE before February 19, 2018. Therefore, any allegations of knowledge of BBE before FY 2017- 18 cannot sustain against him. It is also the case of SEBI that there were no disbursements to BBE post 2016-17. Therefore, in any case Noticee 6 cannot be alleged to have known of the BBE. In this regard, I note that the emails dated February 15, 2018 and February 19, 2018 containing the excel sheet titled “Org Structure \_JDs\_Accounts \_Final” is one of the evidence which shows the collusion of Noticee 6 in the entire fraud. The said emails do not signify the starting point of such collusion. Apart from the emails above, the cumulative effect of the KRA, the organization structure of DHFL, the signing of financial

statements and CEO / CFO certification, has been taken into consideration while determining the collusion of Noticee 6.

163. There are few decisions of Hon'ble SAT and Hon'ble SC that Noticee 6 has relied upon to support his contentions. My comments with respect to each of them are as follows:

**Table 27: Comments with respect to cases cited by Noticee 6**

#	Name of case	Noticee 6's arguments	Remarks
1.	Order of Hon'ble SAT in Mani Oommen v. SEBI (Appeal 183 of 2020) dated February 18, 2022	Noticee 6 has relied upon the case of <i>Mani Oommen</i> to submit that the SCN does not establish a charge of connivance against Noticee 6 in alleged fraudulent transactions by the Promoters. Noticee 6 had no knowledge of any of such transactions and that section 27 of SEBI Act expressly excludes persons without whose knowledge contravention was committed.	The highest disbursement to BBE since 2006-2007, occurred in the FY 2014-15, amounting to INR 2,269.17. In the same year, on April 30, 2014, the term of Noticee 6 as CFO began. During his tenure, from FY 2014-2015 to FY 2018-2019, INR 3423.92 crores were disbursed to BBes. It is highly improbable despite being the CFO (and as per LODR Regulations and Listing Agreement, a Whole Time Finance Director), Noticee 6 was unaware of such large disbursements being disguised as retail loans. As brought out above, not only has Noticee 6 signed on financial statements of DHFL for the above years, he has also signed the CEO / CFO certifications. He is also shown to be the head of Corporate Accounts department, directly reporting to CMD Mr. Kapil Wadhawan, which he has not been able to refute. It is also evident from the above paragraphs that job descriptions of Ms. Priya Naik and Ms. Sangeeta Amin, setting out in detail their roles and responsibilities with respect to BBE activities in DHFL were sent to Noticee 6. All of the above circumstances point towards culpability of Noticee 6 in the fraud perpetrated in DHFL.
2.	Order of Hon'ble SAT in Almondz Global Securities Ltd. vs. SEBI (Appeal no. 275 of 2014)	Noticee 6 has placed reliance on the case of <i>Almondz Global</i> to submit that he was expected to exercise reasonable diligence and that he relied upon the information / documents that were furnished to him for consideration.	I find that the said case does not help Noticee 6, as the said case concerns the responsibilities of a merchant banker who is an outsider to a company. Whereas Noticee 6 being the CFO, an insider to DHFL, cannot excuse himself from the wrongdoings which were happening at DHFL. It can reasonably be held that on sufficient due diligence, Noticee 6 could have known about the transactions with BBes.
3.	Order of Hon'ble SAT in Paresh M. Parekh v. The Chairman, SEBI ([2002] SAT 4)	Noticee 6 has relied upon the case of <i>Paresh M. Parekh</i> to submit that intention is an essential element for the allegation of aiding and abetting.	In this regard, I find it appropriate to rely on the finding of Hon'ble Supreme Court in the case of SEBI and Ors. vs. Kanaiyalal Baldevbhai Patel and Ors. (2017)15SCC1, wherein it held that:  “..... <i>The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present.</i> ”

#	Name of case	Noticee 6's arguments	Remarks
			<p><i>In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required."</i></p> <p>From the aforesaid decision, it is clear that it is not necessary that intention has to be proved to hold a person guilty for violating securities law. The proof of manipulation depends upon inferences drawn from a host of circumstances.</p>
4.	Order of Hon'ble SAT in Price Waterhouse and Co. vs. SEBI (Appeal no. 6 of 2018) dated September 09, 2018.	Noticee 6 has relied on the decision of PWC to submit that it is not alleged that he has induced any fraudulent act. Therefore, in view of the said judgment, he cannot be said to have violated regulations 3 and 4 of the PFUTP Regulations.	<p>I do not find this argument to be acceptable. In the decision of N. Narayanan vs. Adjudicating Officer, SEBI dated April 26, 2013, the Hon'ble Supreme Court has held that:</p> <p><i>"36. We have, on facts, clearly found that the Directors of the company have "created artificiality" by projecting inflated figures of the company's revenue, profits, security deposits and receivables and that the manipulation in the financial results of the company resulted in price rise of the scrip of the company and the promoters of the company then pledged their shares to raise substantial funds from financial institutions. The conduct of the appellant and others was, therefore, fraudulent and the practices they had adopted, relating to securities, were unfair..."</i></p> <p>Thus, it is not necessary to establish that investors were actually induced to invest basis the misrepresentations in the financial statements of DHFL and the CEO / CFO certification given by Noticee 6.</p>
5.	Judgment of Hon'ble SC in SEBI vs. Bhavesh Pabari (Civil appeal no. 11311 of 2013) dated February 28, 2019	Noticee 6 has submitted that he has not made any gains or gotten any unfair advantage as a result of any default. He is a victim of the fraud perpetrated by the Promoters. The SCN does not state any loss caused to any investor or group of investors. For the first time allegations of such nature are being made against Noticee 6. As per the Bhavesh Pabari case, section 15J of	<p>I do not accept the submission of Noticee 6 that no loss was caused to the investors. As brought out before, during the Investigation Period, DHFL raised INR 24,945 crores by way of issue of public NCDs. Further, from the funds raised by way of equity shares of INR 2,010 crores during the FY 2006-07 to FY 2018-19, INR 1,714.68 crores was by way of allotment to Qualified Institutional Buyers (QIBs). The Company has also raised, INR 58,201 crores from the Banks as "Loans" during FY 2006-07 to FY 2018-19. All the public NCDs, equity shares and loans were raised on the basis of misrepresentation of the financial statements of DHFL. Further, when the Company went in the insolvency resolution process, all the above stakeholders took a haircut<sup>66</sup>. The retail investors suffered a loss inter alia due to the fraud. For example, price of the DHFL share touched a high of INR 679.25 on September 03, 2018 and started falling thereafter. It continuously fell down and touched a low of INR 14 on December 12, 2019.</p>

<sup>66</sup> NCLT, Mumbai order dated June 07, 2021 IA.NO.449/MB/C-II/2021 In CP(IB)No. 4258/MB/C-II/2019, available at- <https://ibbi.gov.in/uploads/order/4dc4028ccc12768a83b5726399fc8698.pdf>

#	Name of case	Noticee's arguments	Remarks
		the SEBI Act gives discretion to the Adjudicating Officer to impose penalty and that Adjudicating Officer may use this discretion to not impose any penalty.	

164. On the basis of the discussions in this Order and on the basis of preponderance of probability, I find that Noticees 1 (from April 01, 2006 to November 20, 2019) and 2 (from May 12, 2008 to November 20, 2019), perpetrated the scheme / device / artifice to deceive the shareholders and investors dealing in the securities of DHFL by diverting funds to BBEs and misrepresenting them as “housing loans” in the financial statements of DHFL. Noticees 3 and 4 (from April 01, 2006 to July 28, 2009) being directors in DHFL and signatory to its financial statements during the aforesaid period failed to discharge their duties in ensuring that the funds of DHFL were utilised for business purposes and not misrepresented. Further, Noticees 5 (from January 17, 2015 to February 13, 2019) and 6 (from April 30, 2014 to March 16, 2019) aided and abetted the other Noticees in committing the above acts. By the aforesaid actions, the Noticees have violated section 12A(a), (b), (c) of SEBI Act, and regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations.

#### **D. CONCLUSION**

165. As brought out in this Order, by preponderance of probability, DHFL, its promoters, directors, and KMPs, have engaged and participated in an egregiously fraudulent scheme since 2006 to divert funds from DHFL to certain entities (“Bandra Book Entities” or BBEs) associated with the promoters. As per DHFL’s books of account, its net outstanding loans to BBEs amounted to INR 14,040.50 crores as of March 31, 2019.

166. The scheme was elaborate. First, large unsecured loans were made out to these BBEs associated with the promoters, despite the fact that they lacked any semblance of net worth, assets, or business and cash flows of any kind to warrant any kind of loan exposures. Second, all standard loan appraisal processes were totally bypassed in

making out these loans. Third, these large unsecured intercorporate loans to related parties with extremely weak financials were blatantly mischaracterised as retail 'housing loans' over the years, giving a completely false picture to all stakeholders of the company, including its investors.

167. To effect this elaborate deception, a fake virtual branch ("Bandra branch") and previously closed retail loan accounts were employed, alongside three different accounting software, camouflaging the BBE loans as retail housing loans. In the initial years, well over 30% of all loans of DHFL were to these BBEs. Even though interest and principal payments were not forthcoming from the BBEs, significant amount of fictitious interest income was booked by DHFL over the years, balanced by fresh and fictitious disbursements to BBE entities. If the Company had presented the real picture of its financial statements and excluded the fictitious interest income from the loans given to the BBEs, the Company would have reported losses every year between FY 2007-08 and FY 2015-16. Instead the company reporting glowing Profit Before Tax numbers rising from INR 105.7 crores in FY 2007-08 to INR 1,102.2 crores in FY 2015-16.
168. Publication of these egregiously false and misleading financials over several years, misled all stakeholders, including its many thousands of public shareholders. Specifically, it interfered with the integrity of share price discovery, thereby inducing investors to invest or remain invested in the scrip believing that all was well with DHFL.
169. This Order, on preponderance of probability, has established that the main orchestrator of the fraudulent scheme was the Chairman, Managing Director and Promoter, Mr. Kapil Wadhawan along with his brother, Mr. Dheeraj Wadhawan, Non-Executive Director and Promoter. As Chairman & Managing Director, Mr. Kapil Wadhawan approved the loans to BBEs, with the knowledge of Mr. Dheeraj Wadhawan. The BBEs were directly or indirectly connected to Noticees 1-4, and some BBEs in turn passed on funds either to other BBEs or to other entities connected to Noticees 1-4. Mr. Rakesh and Mr. Sarang Wadhawan as Promoters and Non-Executive Chairman and Non-Executive Director, respectively, had not only attended board meetings, finance committee meetings and signed financial statements of DHFL, but they were also directors on the boards of 3 BBEs, and a director on other companies that received funds from some BBEs.

170. During the tenure of Mr. Harshil Mehta (CEO and later Joint Managing Director & CEO), approximately INR 1,154.75 crores were disbursed to BBEs, and he had signed the CEO/ CFO certificates for the FYs 2015-16, 2016-17 and 2017-18 (3 quarters) of DHFL. Mr. Santosh Sharma being the CFO of DHFL had a long history of association with DHFL and he has signed as a CFO on financial statements of DHFL for the FYs 2013-2014, 2014-2015, 2015-2016, 2016-2017 and 2017-2018. Further, he has also signed CEO/ CFO certification for the FYs 2014-2015, 2015-2016, 2016-2017 and 2017-2018. The KRA shared with him included “accounting process efficiency” as one of his responsibilities and the job descriptions shared with him clearly made references to Bandra portfolio. Retail housing loans by definition, carry lower default risk due to a mortgage or charge on the property/ asset for which the loan is taken. The wanton mischaracterization of large high-risk unsecured inter-corporate exposure to associated companies with extremely weak financials as retail/ housing loans, led to gross misstatement of DHFL’s risk profile, causing lenders and investors immense harm. Further, given the scale of the BBE loans (nearly 25% of loan book of DHFL on average), defaults in this category would have cascading impact on overall asset quality of DHFL, affecting depositors and shareholders. The disguised nature of the BBE loans, also delayed regulatory intervention and eventually threatened market stability.
171. The CEO/ CFO certifications were clearly false, since they concealed the fact that monies had been diverted in the garb of retail home loans to financially unsound companies, many of which were controlled by the Promoters of DHFL and all of whom were connected to the Promoters of DHFL. Directors, CEOs, and CFOs are individuals entrusted with the fiduciary duty to act in the best interests of the company and all its stakeholders. The submissions of the Noticees 3-6 that they were not aware of the BBE transactions and the surrounding camouflage, cannot serve as a justifiable excuse for their failure to fulfil their fiduciary duties. In particular, as this Order has revealed, there is evidence to show that the size of the retail home loan portfolio as shown in the financials (and certified by the CEO/ CFO) was consistently and dramatically larger than what the internal reports showed to Noticee 5. There was therefore all evidence to suggest that the BBE loan book, which the CEO/ CFO at least knew were not retail home

loans, was being characterised as such. Eventually, the BBE book turned NPA, and as a result, the company's public shareholders have suffered.

172. I note that the investigation in the matter has concluded that the Noticees were involved in perpetrating a fraudulent scheme by disbursing loans to 87 BBEs which were connected/ related to each other as well as the Promoter/ Promoter group of DHFL. Thirty nine of the BBEs to which INR 5,662.44 crores were disbursed by DHFL have transferred 40% of the amount received from DHFL into 48 companies that are either part of BBEs, or connected to the Promoters of DHFL. Though the Investigation Report and the SCN (based on the conclusion in the Investigation Report) explicitly alleges that the Promoters i.e, Mr. Kapil, Mr. Dheeraj, Mr. Rakesh and Mr. Sarang Wadhawans, were either in control of entities that received funds siphoned from DHFL or were 'beneficiaries' of such funds, the exact gains they made haven't been quantified and the said Noticees haven't been directed to show cause why a specific gain should not be ordered to be refunded or disgorged. I am of the view that there is a need to quantify such receipts/ gains, if any, made by them through the BBEs as alleged in the SCN (based on the conclusion in the Investigation Report). A similar view was also taken in SEBI's Orders in the cases of Brightcom Group Ltd. dated February 06, 2025 and RHFL dated August 22, 2024. Therefore, in compliance with principles of natural justice, I find that illegal gains, if any, must be quantified, Noticees who have made the said gain must be identified, and an opportunity should be granted to Noticees' to rebut the findings of SEBI on the illegal gains/ benefits made by them, before any direction is passed with respect to such gains.

173. Without prejudice to the above, considering the seriousness of the violations involved, punitive and other remedial measures must follow in this case. Since the fraudulent scheme was mainly orchestrated by Mr. Kapil Wadhawan, and Mr. Dheeraj Wadhawan clearly had knowledge of the scheme, I am of the view that Noticees 1 and 2 deserve a more stringent penalty and directions of restraint, in comparison to other noticees. Further, Noticees 3 and 4, functioned as Non-Executive Directors and Promoters of DHFL for approximately 3 years. However, in the said 3 years, they attended several important meetings in DHFL and signed financial statements. Their tenure is also marked

by disbursal of Rs 1,066.51 crores to BBEs. They were also found to be connected to BBEs and entities in which BBEs have transferred funds.

174. Both Noticees 5 and 6 were employees holding positions of CEO and CFO, respectively and signed financial statements and CEO / CFO certificates of DHFL. When compared with the evidence against Noticees 1- 4, the material on record does not bring out evidence of Noticee 5 or 6 either directly being involved in the siphoning of monies to the BBEs, or of profiting from the fraud.
175. With respect to Noticee 5, as already elaborated earlier in this Order, it is his case that he was in charge of only housing loans, and that loans to BBEs were 'project finance loans' which were outside of his responsibility. The emails that he himself has referred to in his defence, disclose a significantly lower quantum of actual retail housing loans of DHFL, than the amount eventually disclosed in the Balance Sheets (*which he certified as CEO/ Joint MD*). The obvious explanation for the difference was that the large so-called Project Finance Loans to the BBEs were in fact being wrongly and consistently characterised in the financials of DHFL as retail housing loans. As a veteran of the financial services industry, he cannot have been unaware of the implications of wrongly characterising large amounts of 'project finance loans' with doubtful security as retail housing loans, and of his own fiduciary responsibility to ensure correctness of financials. Despite this obvious and visible issue, he proceeded to sign off on the CEO/ CFO compliance certificate for 3 years, and financial statements for one year. When the fraud perpetrated by the promoters is of this large scale, and its obvious concealment is certified by the CEO/ Joint MD without any qualms, the only reasonable inference by preponderance of probability is that the CEO/ Joint MD was party to the fraud and that this is not a matter of mere negligence.
176. With respect to Noticee 6, he was the CFO of the company who also signed off on the CEO/ CFO certificate for 4 Financial Years and Financial Statements for 5 Financial years. As is the case with the CEO (discussed above), the CFO of DHFL also bore an equal responsibility to test whether the large quantum of unsecured loans to BBEs were in fact 'housing loans'. Apparently, there was no inquiry into the due diligence process followed while issuing such loans. As elaborated earlier in this Order, employees who

admittedly were engaged in using accounting software that generated fictitious loans such as Sangeeta Amin and Priya Naik, reported to Noticee 6 and emails to Noticee 6 record the job description of such persons refer to “Bandra”/”Bandra Portfolio management” etc. Despite all of these red flags (*including those relating to scale of loans without collateral, discussed above*), Noticee 6 has sought to defend his ignorance arguing that his signing off on financial statements (CEO/CFO certification) were basis the confirmation provided by departmental heads. His actions as well as the feeble defences to the allegations made in the SCN, by preponderance of probability, are not suggestive of mere negligence.

177. Without the connivance of both Noticee 5 and 6, it is unlikely that Kapil and Dheeraj Wadhawan could have perpetrated the fraud on the scale described in this Order, for as long as they did. However, considering that there is no material on record evidencing that Noticee 5 and 6 were directly involved in the disbursement of funds to BBEs or or profited directly from such fraud, in the interest of observing proportionality, I am inclined to impose relatively less stringent measures/ penalties on these two Noticees.

## E. DIRECTIONS

178. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15HA and 15HB of the SEBI Act, section 19 and rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and section 23H of SCRA direct as under:

178.1 Noticees 1 to 6 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the periods listed below, from the date of coming into force of this Order:

<b>Noticee No.</b>	<b>Noticee name</b>	<b>Period of restraint</b>
1.	Mr. Kapil Wadhawan	5 years
2.	Mr. Dheeraj Wadhawan	5 years

<b>Noticee No.</b>	<b>Noticee name</b>	<b>Period of restraint</b>
3.	Mr. Rakesh Wadhawan	4 years
4.	Mr. Sarang Wadhawan	4 years
5.	Mr. Harshil Mehta	3 years
6.	Mr. Santosh Sharma	3 years

178.2 Noticees 1 to 6 are restrained from being associated with the securities market, in any manner whatsoever, including as a director or Key Managerial Personnel in a listed company or an intermediary registered with SEBI or a public company which intends to raise money from public in the securities market, for the periods listed below, from the date of coming into force of this Order:

<b>Noticee No.</b>	<b>Noticee name</b>	<b>Period of restraint</b>
1.	Mr. Kapil Wadhawan	5 years
2.	Mr. Dheeraj Wadhawan	5 years
3.	Mr. Rakesh Wadhawan	4 years
4.	Mr. Sarang Wadhawan	4 years
5.	Mr. Harshil Mehta	3 years
6.	Mr. Santosh Sharma	3 years

178.3 Noticees 1 to 6 are hereby imposed with the penalties as specified hereunder

<b>Noticee No.</b>	<b>Noticee name</b>	<b>Provisions under which penalty is being imposed</b>	<b>Penalty amount (in INR)</b>
1.	Mr. Kapil Wadhawan	Section 15HA of SEBI Act	25,00,00,000
		Section 15HB of SEBI Act	1,00,00,000
		Section 23H of SCRA	1,00,00,000
2.	Mr. Dheeraj Wadhawan	Section 15HA of SEBI Act	25,00,00,000
		Section 15HB of SEBI Act	1,00,00,000
		Section 23H of SCRA	1,00,00,000
3.	Mr. Rakesh Wadhawan	Section 15HA of SEBI Act	20,00,00,000
		Section 23H of SCRA	75,00,000
4.	Mr. Sarang Wadhawan	Section 15HA of SEBI Act	20,00,00,000
		Section 23H of SCRA	75,00,000
5.	Mr. Harshil Mehta	15A(a) of SEBI Act	75,00,000
		15HA of SEBI Act	10,00,00,000
		15HB of SEBI Act	1,00,00,000

Noticee No.	Noticee name	Provisions under which penalty is being imposed	Penalty amount (in INR)
6.	Mr. Santosh Sharma	15A(a) of SEBI Act	75,00,000
		15HA of SEBI Act	10,00,00,000
		15HB of SEBI Act	1,00,00,000
		Section 23H of SCRA	1,00,00,000

178.4 Noticees 1 to 6 shall pay the respective penalty imposed on them within a period of forty-five (45) days from the date of receipt of this Order. In case of failure to do so, simple interest at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment;

178.5 Noticees 1 to 6 shall pay the monetary penalty by online payment through following path on the SEBI website: [www.sebi.gov.in/ENFORCEMENT](http://www.sebi.gov.in/ENFORCEMENT) → Orders → Orders of Chairman / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

178.6 Noticees 1 to 6 shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, CFID, SEBI, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051" and also to e-mail id: [tad@sebi.gov.in](mailto:tad@sebi.gov.in) in the format as given in table below:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank Details in which payment is made	
Payment is made for:	Penalty

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

180. As discussed in paragraph 172 above, SEBI shall determine the quantum of illegal gains/benefit made by way of the fraudulent scheme as established in this Order, and action may be initiated in accordance with law.
181. A copy of this Order shall be served on the Noticees. A copy of this Order shall be forwarded to the Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

**DATE: AUGUST 12, 2025**

**PLACE: MUMBAI**

**ANANTH NARAYAN G.  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**