

IN THE SUPREME COURT OF INDIA

... Petitioners

v.

... Respondents

FACTS.

PRAYER.

ISSUES OF LAW.

SUMMARY.

HELD.

FINAL STATUS. .

COUNSELS

Judgment Pronounced on

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/AN/SM/2025-26/31441**

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

In respect of

Value Square Capital Private Ltd.
(PAN: AAGCV6426J)

In the matter of Value Square Capital Private Ltd.

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as 'SEBI') had initiated Adjudication Proceedings under Section 15-I of the SEBI Act, 1992 (hereinafter also referred to as 'SEBI Act') in respect of Value Square Capital Private Ltd ('Noticee' / 'applicant' / 'Value Square' in short) in the subject matter for the alleged violation of provisions of Section 12(1) of SEBI Act, 1992 (hereinafter also referred to as "SEBI Act").

B. APPOINTMENT OF ADJUDICATING OFFICER

2. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticee, as stated and therefore, in exercise of the powers conferred under Section 15 I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter also referred as 'SEBI Adjudication Rules') read with Section 19 of the SEBI Act, 1992, the

Competent Authority appointed the undersigned as Adjudicating Officer vide order dated February 13, 2025 to enquire into and adjudicate under Section 15HB of the SEBI Act, 1992 the alleged violations by the Noticee, as stated. The said proceedings of appointment were communicated to the undersigned vide Communique dated February 17, 2025.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. A Show Cause Notice No. SEBI/EAD5/P/OW/2025/10303/1 dated April 04, 2025 (hereinafter also referred to as 'SCN' / 'SCN dated April 04, 2025' in short) was served upon the Noticee under Rule 4 of SEBI Adjudication Rules, 1995 to show cause as to why an inquiry should not be held against it and why penalty be not imposed under Section 15HB of SEBI Act, 1992 for the aforesaid alleged violation. The SCN was duly served upon the Noticee through digitally signed email dated April 09, 2025 and Speed Post Acknowledgment Due (SPAD).
4. In this regard, following was inter alia observed and alleged in respect of the Noticee:

"...

5. *Findings and Observations of SEBI pursuant to examination and alleged violations:*

Wrong and misleading disclosures on the website

5.1. *On perusal of the website of Value Square, it was observed that the applicant had projected itself as a Merchant Banker and intended to offer services related to IPOs, buybacks, takeovers and delisting. An excerpt from the website of Value Square is given below:*

"As a Merchant Banker, we manage the entire IPO process from understanding the company's business to meeting capital requirements through underwriting, conducting financial and legal due diligence, capital structuring and preparing the Draft Offer Document and Red Herring Prospectus."

5.2. *While Value Square had not obtained any registration with SEBI as a merchant banker, it disclosed itself as one on its website. A screenshot of the same on the website of Value Square is placed at Annexure-1.*

5.3. *In this regard, SEBI sought certain information from Value Square regarding its business operations whereby the following was received (Annexure-2):*

Value Square Capital Private Limited ("the Company", or "the Applicant") was originally incorporated as a private limited company under the Companies Act, 2013 in the name and style of "Value Square Management Consultants Private Limited" bearing Corporate Identification Number U74994DL2018PTC340771 dated 18 October 2018 issued by the Registrar of Companies, Delhi & Haryana. The Company was founded with a philosophy to redefine the financial services space with an experienced team comprising Chartered Accountants, Company Secretaries and Law Professionals etc. The current Corporate Identification Number of the Company is U64190DL2018PTC340771.

Initially the Company was formed to provide financial consultancy services and accounting services to clients. However, the business couldn't take off as envisaged. In the last 5 years of its incorporation, the Company has been providing financial accounting advisory services and other ancillary services as sought by various clients. Recently, the Company has submitted an application with SEBI for registration as merchant banker.

The Company was not associated/involved in any issue during the financial year 2022-23 & 2023-24.

The Company has submitted an application with SEBI for registration as merchant banker which is under process.

5.4. *SEBI returned the application for registration of Value Square on account of inadequate infrastructure as the office space was shared with other companies engaged in other activities. Further, the employees of Value Square were sharing the*

same space with employees of other entities leaving apprehension on the confidentiality of the sensitive information handled by Value Square.

5.5. While Value Square did not have the required infrastructure to operate as a merchant banker, it portrayed itself as one on its website.

In view thereof, it is alleged that the Noticee made wrong and misleading disclosures on the website and therefore, the Noticee violated Section 12(1) of SEBI Act, 1992.

...”

5. Vide letter dated April 21, 2025, the Noticee submitted its reply to the SCN. Key submissions of the Noticee as reply to the SCN are as under:

“ ...

This reply is w.r.t to the SCN dated 04.04.2025 received by the undersigned Company – Value Square Capital Private Limited (“Value Square Capital”). The undersigned herein is giving his pointwise reply to vindicate its stand both factually and legally w.r.t the SCN in question issued by your good selves. It is humbly requested to consider the present reply in light of the present circumstances and in the interest of justice:

1. *That it is a matter of fact that the undersigned Company – Value Square Capital Private Limited has made an application for grant of Certificate of Registration to Hon’ble SEBI to apply for Merchant Banker as on 12 June 2024.*
2. *That the undersigned happens to be a well-known and reputed organization in the field of Financial Services and leads a team of multi-talented and professional experts consisting of Chartered Accountants, Company Secretaries, Lawyers, MBA’s etc. providing full spectrum of services from the prospect of financial advisory services. That through the professional advice provided by the undersigned in the field of Financial Services, we have helped various companies to launch and grow their business from various sectors both in India and abroad.*
3. *It is respectfully submitted that Value Square Capital has never represented itself as a Merchant Banker. We further confirm neither our website nor any of our marketing material claims or states or represents ourselves as a Merchant Banker. It is respectfully asserted that inadvertently without our knowledge or consent, an error/bug had crept on our website showcasing us as a – ‘Merchant Banker’ however the same was immediately removed as and when it came to our knowledge. Without prejudice to the foregoing submissions, we hereby submit vide this reply that the mention of ‘Merchant Banker’ on our website is a result of inadvertent error and oversight without any intention of misleading the public or earning revenues from Merchant Banking Services. Furthermore, we confirm that we have not earned any revenue in the capacity of Merchant Banker till date or generated any revenue from the Securities Market in the last 3 Financial Years. We have already given an undertaking on 9 December 2024 to the Division of Supervision, Enforcement and Complaints-3, Corporate Financial Division in this regard.*
4. *Further, we are hereby furnishing the name and details of our website for Hon’ble SEBI to verify the accuracy of our averments and accordingly deal with the present show cause notice in the interest of justice, our website is - www.valuesquare.in which would substantiate our representation.*
5. *It is pertinent to state here that we had also received an email dated 14.11.2024 from Hon’ble SEBI enquiring regarding our functions, status of registration with SEBI etc. Vide email response of 15.11.2024, we had clearly stated that – Our Company had submitted an application with SEBI for registration as merchant banker which is under process...*
6. *It is further reiterated that Our Company does not provide any Merchant Banking Services, Portfolio Management Services, Wealth Management Services, Investment Advisory Services nor has any revenue from such services. It is reasserted that our Company is not earning any fees and has never earned any revenue from the public, under the guise of offering capital-raising services and wealth management services. We further confirm that the Company was not associated/ involved in any issue till date.*
7. *That vide this reply, we further undertake that we shall be more careful while posting about our services on web platforms. We further confirm our commitment to the ethical practices and highest level of integrity. Our team of Chartered Accountants, Company Secretaries and MBAs are well-versed in the SEBI Act and compliance requirements, provide expert SEBI compliance solutions to clients, leveraging their specialized knowledge to address complex regulatory issues. We explicitly confirm and undertake that we abide by the Code of Conduct for Merchant Bankers (as an applicant) and maintain the highest standards of integrity, dignity and fairness in the conduct of our business.*
8. *Prayer*
8. *It is accordingly prayed with folded hands, that in view of the present facts and circumstances at hand, the present Show Cause Notice be dismissed at the very threshold and no enquiry be initiated under SEBI Rules 1995 by Hon’ble SEBI.*

...”

6. Having regard to the principles of natural justice, vide Hearing Notice dated April 23, 2025, an opportunity of personal hearing was afforded to the Noticee on April 28, 2025. On the scheduled date of hearing viz., April 28, 2025, the Noticee availed the opportunity of hearing through its Authorized Representative (AR) viz. Mr. Praveen Kaushik (Director of Noticee). During the hearing, the AR of the Noticee relied upon and reiterated the submissions made by Noticee vide letter dated April 21, 2025. Further, the AR inter alia submitted that there were no further/additional submissions to be made and the submissions made vide letter dated April 21, 2025 be taken as final and complete submissions in the matter.

D. CONSIDERATION OF ISSUES AND FINDINGS

7. The issues that arise for consideration in the instant matter are as following:

Issue No. I: Whether the Noticee has violated the provisions of the SEBI Act, as alleged?

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HB of SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

Issue No. I: Whether the Noticee has violated the provisions of the SEBI Act, as alleged?

8. In this regard, it was inter alia observed and alleged that Noticee made wrong and misleading disclosures on the website and therefore, the Noticee had violated Section 12(1) of SEBI Act, 1992.

8.1. In this regard, SEBI observed that the application for registration of value square was returned by SEBI on account of inadequate infrastructure as the office space was shared with other companies engaged in other activities. Further, the employees of value square were sharing the same space with employees of other entities leaving apprehension on the confidentiality of sensitive information handled by value square.

8.2. In this regard, on perusal of the website of the Noticee, SEBI inter alia observed that the Noticee had projected itself as a Merchant Banker and intended to offer services related to IPOs, buybacks, takeovers and delisting. An excerpt from its website, as available on record, read as under:

“As a Merchant Banker, we manage the entire IPO process from understanding the company’s business to meeting capital requirements through underwriting, conducting financial and legal due diligence, capital structuring and preparing the Draft Offer Document and Red Herring Prospectus.”

8.3. SEBI observed that while Noticee had not obtained any registration with SEBI as a merchant banker, it still disclosed itself as one on its website.

8.4. In this regard, Noticee vide its reply dated April 21, 2025 to the SCN (‘reply to the SCN’ in short) inter alia submitted that “... *Value Square Capital has never represented itself as a Merchant Banker. We further confirm neither our website nor any of our marketing material claims or states or represents ourselves as a Merchant Banker...inadvertently without our knowledge or consent, an error/bug crept on our website showcasing us as a – ‘Merchant Banker’...mention of ‘Merchant Banker’ on our website is a result of inadvertent error...*’.

In this regard, I note that the submissions of the Noticee are conflicting in nature in so far as at one hand Noticee has submitted that ‘..*Value Square Capital has never represented itself as a Merchant Banker. We further confirm neither our website.. claims or states or represents ourselves as a Merchant Banker..’ etc., while* on the other hand it has inter alia also submitted that

'...mention of 'Merchant Banker' on our website is a result of inadvertent error..'

As regards Noticee's contention claiming the mention of 'Merchant Banker' as an inadvertent error, in my view, generally speaking, the content of website does not originate on its own but would be provided by the owners of concerned website. It may not be out of place to mention that it is for the website owner /company to ensure the accuracy of the content. Further in this regard, I also note that Noticee has not provided any details and /or documents to demonstrate its innocence, just to cite for example say, who were responsible for the creation and maintenance of its website, who had provided and validated the content, details regarding content writers / editors /managers, web developers, etc. In view thereof, the contentions of the Noticee in this regard are devoid of merit and hence not acceptable.

In this regard, I also note that the Noticee has neither denied nor disputed that Noticee was reflected as a merchant banker on its website, instead, the submissions of the Noticee are in nature of admission in so far as Noticee has submitted that *'...mention of 'Merchant Banker' on our website is a result of inadvertent error...'*

- 8.5. Further in this regard, Noticee as part of its reply to the SCN also submitted that *'...however the same was immediately removed as and when it came to our knowledge...We confirm that we have not earned any revenue in the capacity of Merchant Banker till date or generated any revenue from the Securities Market in the last 3 Financial Years...we shall be more careful while posting about our services on web platforms...'*

In this regard, I note that the contentions of the Notice may at best be considered as mitigating factors.

- 8.6. In this regard, from material available on record, I also note that the excerpt from its website inter alia read as under:

“As a Merchant Banker, we manage the entire IPO process from understanding the company’s business to meeting capital requirements through underwriting, conducting financial and legal due diligence, capital structuring and preparing the Draft Offer Document and Red Herring Prospectus.”

From plain reading of the above, in my opinion, generally speaking, such a construction would portray one as if it were engaged in the business of issue management. In this regard, I note from material available on record that while Noticee had not obtained any registration with SEBI as a merchant banker, it still disclosed itself as one on its website.

- 8.7. In view thereof, I find that the allegation that the Noticee made wrong and misleading disclosures on the website, stands established and therefore, I hold that the Noticee had violated Section 12(1) of SEBI Act, 1992.

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HB of SEBI Act, 1992?

9. It has been established in the foregoing paragraphs that Noticee had violated Section 12(1) of SEBI Act, 1992.
10. In this regard, it is noted that the Hon’ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

“ ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established ”

11. Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under Section 15HB of the SEBI Act, 1992, which reads as under:

“ ...

SEBI Act, 1992

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be ¹⁰⁴[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

...”

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

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

SEBI Act, 1992

“...

Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—

- a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- b. the amount of loss caused to an investor or group of investors as a result of the default;
- c. the repetitive nature of the default.

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

...”

13. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or loss caused to an investor or group of investors as a result of the violation committed by the Noticee. Further, there is nothing on record to show that the violation committed by the Noticee is repetitive in nature. In this regard, I note that Noticee had violated provisions of Section 12(1) of SEBI Act, 1992, as dealt with and brought out in the foregoing and which SEBI is duty bound to enforce compliance of. Such non-compliance accordingly needs to be dealt with suitable penalty.

E. ORDER

14. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors

mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, I hereby impose penalty of Rs.1,00,000/- (Rupees One Lakh Only) under Section 15HB of SEBI Act, 1992. In my view, the said penalty will be commensurate with the violation committed by the Noticee in this case.

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

ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

16. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
17. In terms of the provisions of Rule 6 of the SEBI Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

PLACE: MUMBAI
DATE: MAY 29, 2025

AMAR NAVLANI
ADJUDICATING OFFICER