IN THE SECURITIES APPELLATE TRIBUNAL AT MUMBAI

DATED THIS THE 16TH DAY OF JULY, 2025

CORAM : Justice P. S. Dinesh Kumar, Presiding Officer
Ms. Meera Swarup, Technical Member
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No. 333 of 2025
And
Misc. Application No. 801 of 2025

Infrastructure Watchdog
Registered under The Societies Registration
Act) XXI of 1860, Having its address at:
B-5/51, Paschim Vihar,
New Delhi - 110 063. …. Appellant

(By Mr. Pradeep Sancheti, Senior Advocate with Mr. Kunal Katariya, Mr. Amit Patil, Ms. Srishti Magdum, Advocates i/b. Parinam Law Associates for the Appellant.)

1. Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051.

2. Smartworks Coworking Spaces Limited
having its address at: Unit No. 305-310,
Plot No. 9, 10 and 11, Vardhman Trade,

Centre, Nehru Place, South Delhi, Delhi-
110 019.

3. Ghanshyam Sarda
S/o Shivlal Sarda, resident of 14/1, Judges
Court Road, Alipore, Kolkata,
West Bengal - 700027

4. NS Niketan LLP
Having its address at: Victoria Park, 10th
Floor, Plot No. GN-37/2, Sector V, Salt
Lake City Parganas North,
Kolkata -700 091.

5. SNS Infrarealty LLP
Having its address at: Victoria Park, 10th
Floor, Plot No.GN-37/2, Sector V, Salt
Lake City, Parganas North,
Kolkata - 700 091.

6. Neetish Sarda
S/o Ghanshyam Sarda, resident of 14/1, … Respondents
Judges Court Road, Alipore, Kolkata,
West Bengal – 700027.

(By Mr. Shiraz Rustomjee, Senior Advocate with Mr. Mihir Mody, Mr. Yash Sutaria, Mr. Aavish Shetty, Mr. Karthik K.P., Mr. Vijay Chockalingam, Advocates i/b K. Ashar & Co. for the Respondent Nos. 1 (SEBI).

Mr. Gaurav Joshi, Senior Advocate with Mr. Abishek Venkataraman, Mr. Tomu Francis, Mr. Sameer Rohatgi, Mr. Oishik Bagchi, Mr. Arka Saha, Mr. Tarun Toprani, Advocates i/b Khaitan & Co. for the Respondent Nos. 2 (Smartworks Coworking Spaces).

Mr. Vikram Nankani, Senior Advocate with Mr. Amit Sibal, Mr. Avishkar Singhvi, Mr. Harshvardhan Nankani and Mr. Ishwar Nankani, Advocates i/b Nankani & Associates for the Respondent Nos. 3 (Ghanshyam Sarda).

Mr. Chetan Kapadia, Senior Advocate with Mr. Tomu Francis, Mr. Oishik Bagchi, Mr. Arka Saha, Mr. Tarun Toprani, Advocates i/b Khaitan & Co. for the Respondent Nos. 4 (NS Niketan LLP).

Mr. Mustafa Doctor, Senior Advocate with Mr. Aman Kacheria, Mr. Neel Kothari, Mr. Aman Arora, Advocates i/b Mr. Rahul Agarwal, Advocate for the Respondent Nos. 5 (SNS Infrarealty LLP).

Mr. Janak Dwarkadas, Senior Advocate with Mr. Tomu Francis, Mr. Oishik Bagchi, Mr. Arka Saha, Mr. Tarun Toprani, Advocates i/b Khaitan & Co. for the Respondent Nos. 6 (Neetish Sarda).

THIS APPEAL IS FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO HEAR THE APPEAL AGAINST THE FAILURE OF RESPONDENT NO. 1 TO PASS APPROPRIATE ORDERS.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON JULY 15, 2025, COMING ON FOR PRONOUNCEMENT OF ORDER THIS 16TH DAY OF JULY 2025, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

Per : Justice P.S. Dinesh Kumar, Presiding Officer

Appellant has presented this appeal with following prayers:

a. Direct respondent No. 1 to initiate investigation into the affairs of respondent No. 2-6 under the SEBI Act and the Companies Act, 2013;

b. Restrain Respondent No. 2 from proceeding with the IPO process pursuant to the RHP[1] dated 04.07.2025, pending completion of such investigation;

c. Grant such other and further reliefs as the nature and circumstances of the case may require.

2. Brief facts of the case are, the second respondent herein (Smartworks Coworking Spaces Ltd., for short, Smartworks) issued its DRHP[2]on August 14, 2024. It was webhosted on SEBI[3]'s website on August 18, 2024 for inviting objections from the public. During

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[1] Red Herring prospectus
[2]Draft Red Herring prospectus
[3]Securities and Exchange Board of India

last week of December, 2024, an addendum to the DRHP was published *inter alia* incorporating risk factors, and making further disclosures in relation to allegations made against Smartworks. Appellant filed complaints with SEBI on January 12, 2025, March 29, 2025, and May 21, 2025 pointing out infirmities and shortcomings in the DRHP and the addendum to DRHP. Appellant's grievance is that SEBI has not carried out investigations pertaining to non-disclosures in the DRHP and RHP and proceeded to approve the IPO of Smartworks thereby failing to discharge its statutory duty of protecting the interests of investors. Hence, this appeal.

3. We have heard Mr. Pradeep Sancheti, learned senior advocate for the appellant and Mr. Shiraz Rustomjee, learned senior advocate for the Respondent No. 1, Mr. Gaurav Joshi, learned senior advocate for the Respondent No. 2, Mr. Vikram Nankani, learned senior advocate for the Respondent No. 3, Mr. Chetan Kapadia, learned senior advocate for the Respondent No. 4, Mr. Mustafa Doctor, learned senior advocate for the Respondent No. 5 and Mr. Janak Dwarkadas, learned senior advocate for the Respondent No. 6.

4. The learned senior advocate for the Appellant stated that the

Respondent No, 1, SEBI, had given go ahead to the RHP for the IPO of Smartworks without taking cognizance of the complaints of the Appellant, specifically complaint dated May 21, 2025, regarding the infusion or routing of unaccounted money into Smartworks through shell/benami entities and inadequate disclosures in relation to investigations against the Company by various authorities. Appellant has also filed detailed written submissions, contending *inter alia* that:

(a) *Vide* its complaints, objections and/or comments, the Appellant informed Respondent No. 1 that the DRHP of Respondent No. 2 company failed to make adequate disclosures in relation to various investigations ongoing against Respondent No. 2 company, its promoters, and directors thereof, including investigations by the Ministry of Corporate Affairs under Sections 110 and 447 of the Companies Act, 2013, the Income Tax Department, the Central Bureau of Investigation, and various complaints and/or FIRs in addition to the alleged offloading of shares by the promoters of Respondent No. 2 company amounting to Rs.

180.85 Crores (Rupees One Hundred and Eight Crores and Eighty- Five Lakhs only) in Respondent Nos. 4 and 5 within a few days of filing the DRHP.

(b) That vide its complaint, objections and/ or comments raised on 21st May 2025, the Appellant pointed out and reiterated serious infirmities/shortcomings in the Addendum to DHRP of Respondent No. 2 company and also pointed out fresh alarming facts/documents which *inter alia* reflected flow of unaccounted money from certain shell and benami companies linked to the promoter groups, with a view to generate capital structure and seek much higher IPO value.

(c) SEBI has not considered the comments raised by the appellant on 21st May 2025 at the time of granting the approval of the RHP dated 4th July 2025. This shows that the approval for the RHP was bereft of any application of mind by the SEBI.

5. Having heard the Appellant on July 10, 2025, we had directed

the learned Senior Advocate for SEBI to examine appellant's objections with regard to SEBI's inaction in this matter and make further submissions with regard to the action taken by SEBI.A preliminary objection was raised on behalf of the respondents that this appeal is not maintainable because there is no impugned order.

6. On July 15, 2025, Shri Shiraz Rustomjee, learned Senior Advocate, at the outset, reiterated SEBI's preliminary objection with regard to maintainability of the appeal contending that this appeal has not been preferred against any order passed by the SEBI or an Adjudicating Officer within the meaning of Section 15T of the SEBI Act, 1992. In fact, no such order has been passed in the present case and the appellant cannot be said to be a "person aggrieved" within the meaning of the said section.

7. On the merits of the case, Shri Shiraz Rustomjee submitted that the relevant provisions namely, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("the ICDR Regulations") require that material disclosures have to be made in the Offer Documents. This process is overseen by the Lead Manager who is required to exercise due diligence and satisfy himself whether adequate disclosures are made to enable an investor to take an

informed decision.

8. He next contended that appellant's main grievance raised during the hearing is, that the issues raised in its complaint dated May 21,2025 have not been disclosed to the investors in the Offer Documents of the Smartworks' IPO. He submitted that the appellant had, in its letters dated 12th January 2025 and 29th March 2025, made allegations of amounts being deposited in various shell/benami companies and regarding investigations into the affairs of Smartworks by various agencies including the Income Tax Department. In its letter dated May 21, 2025, the Appellant has reiterated the allegations contained in its earlier letters dated January 12, 2025 and March 29, 2025 with regard to alleged shell/benami Companies. Appellant has made reference to copies of two internal reports of Income Tax Department and claimed that those documents would establish such dealings.

9. Shri Rustomjee further submitted that appellant's allegation with regard to dealings in shell/benami and Smartworks' responses were disclosed in the Red Herring Prospectus dated July 04, 2025 ("RHP") at S. No 1 page 78.Specific reference was also made to Appellant's complaints dated January 12, 2025 and March 29, 2025 in the table

under Para 33 on page 76and it was clearly mentioned below the table that these complaints were available for inspection at Smartworks' registered office.

10. He further submitted that with regard to the internal Income-Tax reports mentioned in appellant's letter, Smartworks asserted that it had not received any notice or order of demand from the Income Tax authorities. Smartworks has also maintained that except what was disclosed under the head "Outstanding Litigation and Material Developments" in the RHP, there were no outstanding income tax disputes.

11. Shri Rustomjee contended that in its letter dated May 21, 2025, Appellant did not make any request to the SEBI to ensure that income tax reports are disclosed in the RHP. Appellant had only requested SEBI (a) to refer the matter to the Enforcement Directorate and MCA for an investigation into the matter; and (b) to reject the DRHP. In SEBI's view, neither of these requests were reasonable or appropriate in the context of the IPO process.

12. Shri Rustomjee stated that as a matter of abundant caution, on July 08, 2025, appellant's letter dated May 21, 2025 was forwarded to

the Lead Manager with a request, *inter alia*, to deal with the allegations mentioned therein. The IPO opened to the public on 10th, 11th and 14th July 2025.On July 11, 2025, Smartworks published an 'Addendum' to the RHP dated July 10, 2025 in which it, *inter alia*, referred to the present appeal and the appellant's complaint dated May 21,2025. The addendum was also disseminated through the websites of SEBI and the Lead Manager on July 11, 2025. The IPO closed on July 14, 2025. It was always open to the subscribers to withdraw their applications at any stage before closure of the IPO. The allotment of shares is in process and the listing of the shares is to take place on a T+3 basis, i.e. on July 17, 2025.

13. Shri Rustomjee argued that appellant's grievance with regard to the disclosure of its letter dated May 21, 2025 is untenable. The allegations made by the Appellant and the Smartworks' responses have been adequately disclosed to the investors. He contended that disclosure of internal income tax reports by Smartwork on11, July 2025 does not provide any cause for interference with the IPO process as both Smartwork and the lead manager have taken a position that no notice or demand was received from the income tax authorities.

14. Learned advocates for the Respondent No. 2 to 6 also argued on

similar lines praying for dismissal of the appeal. Respondent No. 2 denying appellant's averments has filed an affidavit stating *inter alia*:

a. The present appeal is not maintainable, given that the Appellant does not qualify as a '*person aggrieved*' to approach this Hon'ble Tribunal, under Section 15T of the SEBI Act.

b. The Hon'ble Supreme Court of India in ***Bar Council of Maharashtra v. M. V. Dabholkar and Ors. (1975) 2 SCC 702)*** opined the following with regard to 'person aggrieved':

> "*28…The meaning of the words "a person aggrieved" may vary according to the context of the statute. One of the meanings is that a person will be held to be aggrieved by a decision if that decision is* ***materially adverse to him****. Normally,* ***one is required to establish that one has been denied or deprived of something to which one is legally entitled in order to make one"a person aggrieved"***

c. This Tribunal in ***MZ Khan v. SEBI [2009 SCC OnLine SAT 99]*** observed as follows:

> *"There is yet another ground on which the appellant must fail. An appeal to this Tribunal lies under Section 15T of the Securities and Exchange*

> *BoardofIndiaAct,1992.* ***It provides that any person aggrieved by an order of the Board or by an order made by an adjudicating Officer under this Act canprefer an appealto this Tribunal. It is, therefore, necessary that there has to be an order passed by the Board against which an appeal could lie****.”*

d. The present appeal emanates from a family dispute and is motivated and the appellant is merely acting as a front on behalf of estranged family members.

e. Following the demise of Mr. Shiwlall Sarda in 2005, his sons, namely Mr. Ghanshyam Sarda (Respondent No. 3), Mr. Govind Kumar Sarda, and Mr. Jagdish Sarda ("Sarda Brothers"), continued the family business together. However, disputes arose amongst them starting from 2007, which led to an arbitration between the Sarda brothers.

f. Pursuant to the arbitration award in 2009 only partial partition was done and the award was challenged by Mr. Govind Kumar Sarda before the Hon’ble Calcutta High Court. Following the award, Mr. Ghanshyam Sarda (Respondent No.3) filed a partition suit before the Hon'ble

High Court at Calcutta in September 2009 for the execution of the award. Since then the Sarda brothers are involved in family disputes and the relationship has become acrimonious.

g. The Company has received similar allegations in the past, prior to the initiation of the IPO and post filing of the DRHP. These complaints have been disclosed in the DRHP, RHP and the Prospectus ("**Offer Documents**"). Considering the similarity of the allegations in the appeal and the past allegations as aforesaid, it is evident that the present appeal and the complaints impugned therein are both at the behest of estranged family members i.e. the other Sarda brother(s).

h. There is no requirement to disclose the present show cause notice issued by Punjab National Bank under the extant law in the Offer Documents since the same has been issued to a member of the promoter group of the Company.

i. The Appellant was unable to explain as to how he has received and is in possession of such show cause notice.

In fact, a perusal of the document would show that the copy annexed to the appeal was issued / served upon Harihar Agrotech Private Limited an entity owned and controlled by Mr. Govind Sharda as is evident from the registered address of the entity. This clearly establishes the link between the appellant and Mr. Govind Sarda.

j. Further, the Appellant has deliberately misled the Hon'ble Tribunal inasmuch as the Appellant has suppressed the letter issued by Punjab National Bank dated June 30, 2025 wherein the bank has withdrawn the show cause notice.

k. During the course of the hearing, the lack of bonafides of the Appellant were also put before the Hon'ble Tribunal. It is submitted that it is publicly available that the deponent in the present appeal Mr. Anil Kumar also is supposedly the secretary of another NGO by the name Telecom Watchdog and that the Hon'ble Supreme Court of India had directed the CBI to launch an investigation against him for his role as one of the petitioners in the 2G scam case.

l. It is submitted that Appellant has alleged that the

Company has failed to disclose the complaint dated May 21, 2025 and the Company only did so while issuing the Addendum to the RHP of July 10, 2025. The contents alleged in the said complaint along with the response of the Company was duly disclosed by the Company in the RHP on Page 78. The response provided by the Company at Page 78 was reiterated in the Addendum dated July 10, 2025 and the veracity of such income tax reports were specifically denied by the Company.

m. The complaint dated May 21, 2025 enclosed with it two internal reports of the Income Tax Department dated September 05, 2022 and December 26, 2024. It is unclear as to how the Appellant has obtained such an internal document of the Income Tax Department. In any case, the Income Tax Report dated December 26,2024 concludes that the contents of said report are required to be verified by the concerned Adjudicating Officer and that the said findings are indicative in nature and not exhaustive. Further that efforts need to be made during the course of the assessment to ascertain actual quantum of concealed income.

n. Further, it is submitted that the Addendum dated July 10, 2025 was also issued by the Company out of abundant caution to disclose complaints received in the present issue and the appeal. The complaint dated May 21, 2025 (along with other complaints) form part of material documents and have also been available for inspection to investors.

o. Notably, at page 566 of the RHP, under the section titled 'Material Contracts and Documents for Inspection', it has been categorically stated that complaints received may be inspected at the Company's Registered Office/Corporate Office from 10.00 a.m. to 5.00 p.m. on working days and will also be available on the company's website from the date of the RHP till the bid/offer closing date. This includes complaints filed by the appellant dated January 12, 2025, January15, 2025 and March 29, 2025 and the responses thereto.

p. The Appellant in the present case is only indulging in hair splitting subjective criticism of existing disclosures duly made by the Company in a timely and adequate manner.

q. The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 which inter alia govern the disclosures to be made in offer documents provide that in respect of pending litigations, only claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount needs to be disclosed. The internal report produced by the Appellant does not constitute a claim related to director indirect taxes and hence there was no requirement to disclose the same.

r. Further, it is submitted that the company's income tax assessments are upto date. Itis to be noted that till such time an adverse reassessment order is issued, all assessment orders remain valid. From Assessment Year 2017-18 till AssessmentYear2023-24, the Income Tax department has duly been issuing its assessment orders in respect of the company and there has not been any adverse assessment in terms of any internal report in respect of the company till date.

s. The purported Income Tax Reports have not resulted in any demand being raised and thus the question of any show cause being issued for any "income tax claim" also has not arisen. It is pertinent to also refer to Section 156 of the Income Tax Act, which is clear and also judicially interpreted to be the starting point of any "income tax claim" which results post-determination and a demand.

t. It is submitted even after making requisite disclosures by way of the DRHP, Addendum of the DRHP, RHP and Addendum of the RHP, the issue of the Appellant in all segments has been oversubscribed multifold. Several notable marquee investors have invested in the Company. The details of the same are as below:

SR. NO.	***CATEGORY***	***NO OF SHARES OFFERED/ RESERVED***	***NO OF SHARES BIDFOR***	***NO OF TIMES OF TOTAL MEANT FOR THE CATEGORY***
1	*Qualified Institutional Buyers ("**QIBs**")*	*29,03,910*	*7,08,75,864*	*24.41*
1(a)	*Foreign Institutional Investors (FIIs)*	-	*1,35,59,472*	-
1(b)	*Domestic Financial Institutions (Banks/ Financial Institutions (FIs)/ Insurance Companies)*	-	*1,51,92,180*	-

1(c)	*Mutual funds*	*-*	*1,86,51,636*	*-*
1(d)	*Others*	*-*	*2,34,72,576*	*-*
2	*NonInstitutional Investors*	*22,17,233*	*5,05,06,848*	*22.78*
2.1	*NonInstitutionalInvestors(Bidamountof more than Ten Lakh Rupees)*	*14,78,156*	*4,01,12,460*	*27.14*
2.1(a)	*Corporates*	*-*	*5,26,392*	*-*
2.1(b)	*Individuals(Otherthan RIIs)*	*-*	*3,78,27,288*	*-*
2.1(c)	*Others*	*-*	*17,58,780*	*-*
2.2	*Non Institutional Investors (Bid amount of more than Two Lakh Rupees upto Ten Lakh Rupees)*	*7,39,077*	*1,03,94,388*	*14.06*
2.2(a)	*Corporates*	*-*	*39,888*	*-*
2.2(b)	*Individuals(Otherthan RIIs)*	*-*	*97,97,832*	*-*
4(a)	*Cut Off*	*-*	*1,91,772*	*-*
4(b)	*PriceBids*	*-*	*63,072*	*-*
-	***Total***	***1,04,01,828***	***13,99,09,320***	***13.45***

u. Further, not only was the issue oversubscribed multifold but several marquee investors such as Government of Singapore backed Keppel Land, Deustche Bank, TATA Mutual Fund, SBI General Insurance Company Limited, Aditya Birla Sun Life Insurance Company Limited, Baroda BNP Paribas Large & Mid Cap Fund, Axis New Opportunities AIF– Series II, Societe Generale – ODI, Trust Mutual Fund etc. participated in the Anchor book bidding process.

v. Despite issuance of the Addendum to the DHRP and RHP, not only have various Qualified Institutional Buyers, which in themselves are sophisticated investors which carry out their own due diligence, oversubscribed to the IPO by multifold but the same effect is also evidenced from retail investors which only goes to show that these investors after receiving the relevant information under the addendum to the DHRP and RHP have made an informed decision to subscribe to the IPO of the Company. It is to be noted that after the Addendum issued by the Company on July 10, 2025, which was published on the SEBI website on July 11, 2025, the IPO has been subscribed ~13x from ~0.8x on the first day which was prior to publishing of such Addendum to the RHP. The Addendum dated July 10, 2025 published on July 10, 2025, contains all allegations which have been levelled on Respondent No. 2 by the Appellant, including that of the income tax report.

w. In fact, the subscription on day 1, i.e. on July 10, 2025 was only to the extent of 0.83% which was negligible. It is to be noted that investors subscribed on the 2nd and 3rd day when the Addendum of the issuer was published in the media.

14. The respondent No. 4 has filed written submissions stating that:

a. The present Appeal is a vexatious attempt by the estranged family members of promoter, Mr. Neetish Sarda, to stall the IPO of R2.

b. The same is evident from the documents produced by the Appellant which would otherwise not be available to Appellant – PNB letter.

c. In the 1st Complaint dated 12.01.2025 the Appellant has referred to information by one Advocate – Ms. Tara Vyas. By letter dated 03.11.2024 Tara Vyas has admitted that she has been misinformed by Govind Sarda (estranged family).

d. Appellant has produced PNB letter dated 08.05.2025 - however suppressed subsequent withdrawal letter dated 30.06.2025 by PNB.

e. Questioning the antecedents of the Appellant as a watchdog, the Respondent stated that the Hon’ble Supreme Court has taken cognizance of the Appellant's malafide intentions in a Telecom case.

15. The 6th respondent has filed written submissions stating *inter alia* that:

a. The appellant is not only a 'busy body' but is a motivated actor acting at the behest of the estranged family members. The Appeal file by the Appellant is motivated, *mala fide*, and has been filed at the behest of other motivated persons to settle personal scores and long-standing differences. The appellant is not a genuine 'investor watchdog' and is merely a front and has clearly come forth with unclean hands and for this reason alone, the present appeal ought to be dismissed.

b. Such fact is evident as the appellant has annexed to the appeal a show cause notice issued by the Punjab National Bank's Fraud, Risk Management Division ("SCN"). Such SCN, addressed to M/s Sun Biotechnology Limited, Shri. Govind Sarda (warring and estranged family member), Mr. Ghanshyam Sarda (Respondent No. 3), Suraj Agro Lessee Pvt. Limited and Harihar Agro tech Private Limited. These are companies controlled by

Mr. Govind Sarda. This makes it abundantly clear that this document has been procured from Harihar Agrotech (who the copy of the SCN annexed to in the appeal is specifically marked to). This makes it clear that the appellant is acting at the behest of Mr. Govind Sarda.

c. This Hon'ble Tribunal has in the case of ***Sukumar Chand Jain v. SEBI & Ors. [2008 SCC Online SAT 50]*** held that:

> *"Obviously, the appellant had purchased the shares only to litigate with the target company. We are satisfied that he has not approached the Tribunal with clean hands and must fail on this short ground."*

d. Under the heading "Offer Structure" at page 483 of the RHP, it is categorically mentioned that the offer was made through the 'Book Building Process', in compliance with Regulation 6 (1), 31 and 32 of the ICDR Regulations. In a table containing the particulars, the number of equity shares which will be available for allocation is mentioned. The Offer Structure provides for allotment to four categories of investors i.e. (a) Qualified Institutional Buyers ("QIBs") (upto 50%), (b) Non-Institutional Bidders (not less than 15%), (c)Retail Individual Bidders (not less than 35%) and (d) Eligible Employees (subset of retail).

e. It is pertinent to note that as on the close of the QIB bidding window, the QIB portion was subscribed over 24.41 times, while the non-institutional buyers witnessed arobust 22.78 times subscription. It is a clear indicator that sophisticated investors with institutional-grade due diligence mechanism and having access to deep research and compliance teams have found the offering credible and fundamentally sound. Further, the anchor investors, including several marquee domestic mutual funds and foreign institutional investors like Tata Mutual Fund, Axis New Opportunities AIF–Series II, Aditya Birla Sun Life Insurance Company Limited, Society General, BNP Paribas among others have already committed capital amounting to Rs. 1,736, 415,846/- in the anchor portion, further validating the trust placed by the prestigious investors in the issuer's disclosures and long- term value proposition.

f. It is further submitted that the bidding/offer period for retail investors opened on July 10, 2025.The Appellant who has failed to disclose any verifiable identity, standing, or material evidence on record, and has suppressed crucial documents, filed the

Appeal on such date and a hearing was conducted on July 10, 2025. On July 10, 2025, the Company issued an addendum to the RHP (published on July11, 2025 on SEBI's website), disclosing the facts of the appeal filed, the allegations therein, as well as the details of the complaint dated May 21, 2025 (received from SEBI on July 8, 2025) along with the response thereto. Following such disclosure, the response from the market, far from being adverse, was overwhelmingly positive. Most notably, the Retail Individual Investor category saw an extraordinary subscription of 13.45 times by the last day of the book-building process, which was on July 14, 2025.

g. It is clear from the above submissions that the investors including the marquee investors have not found the issue risk worthy to the extent of deterring participation. Rather, they have validated the issuer's disclosures and prospects by subscribing in large volumes. This Hon'ble Tribunal, in the matter of Rajkot Saher/Jilla Grahak ***Suraksha Mandal & Ors. v. Securities and Exchange Board of India and Anr. [2008] SAT 122,*** refused to intervene in an IPO process and observed as follows –

"12. There is one more reason why we cannot agree

> *with the appellants. The case of the appellants is that the innocent public shareholders were cheated by RPL. We cannot accept this. RPL had furnished all the relevant and detailed information in the Red Herring Prospectus as required by law. It also carried information that the promoters had acquired the huge holding of shares of RPL by making payment at the face value of Rs.10 per share and that the offer to the public was to make a bid between Rs.405 and Rs.450 per equity share. In spite of this information, the public issue was oversubscribed. On the basis of the information furnished in the prospectus, the public shareholders had taken an informed commercial decision when they applied for shares in the IPO. In these circumstances, we fail to understand as to how RPL can be faulted after it had furnished information as required by law in the Red Herring Prospectus.*
>
> *13. In the result, the appeal stands dismissed."*

16. The respondents Nos. 3 and 5 reiterated the submissions made by the other respondents.

17. We have carefully considered the rival contentions and perused the material on record. The point that arises for our consideration is whether any interference is called for at this stage. The appeal was moved on July 9, 2025 and the IPO was to open on July 10, 2025 and was to close on July 14, 2025. The listing of the shares is to take place on a T+3 basis, i.e. on July 17, 2025. Therefore, keeping in view the interest of investors, we had directed the SEBI to examine appellant's

letter dated May 21, 2025 and make further submissions. We note that the respondents have contested the appeal mainly on the following grounds:

- with regard to maintainability of the Appeal;
- locus standi and bona fides of the appellant;
- merits of case.

18. Having heard the parties, we have decided the matter on merits and the objection with regard to maintainability has been kept open to be decided in an appropriate case.

19. It was rightly urged by Mr. Rustomjee for SEBI, that the Appellant in his letter dated May 21,2025 has requested the SEBI -(a) to refer the matter to the Enforcement Directorate and MCA for an investigation into the matter; and (b) to reject the DRHP. We note that SEBI having examined the request of the Appellant took the view that neither of these requests were reasonable or appropriate in the context of the IPO process and that there was no request of the Appellant to SEBI to ensure that the said letter/ its contents are disclosed.

20. The Appellant has placed heavy reliance on the internal reports of the income tax department. It is relevant to note that Income Tax

authorities have recorded thus in the report.

> *"4.3. It is to be noted that the shares issued to all the entities by the M/s Smartworks Coworking Spaces Pvt. Ltd. from the period F.Y 2017-18 to 2023-24 are required to be verified by the concerned A.O. The findings are indicative in nature and not exhaustive. Details efforts need to be made during the course of assessment to ascertain actual quantum of concealed income."*

21. Thus, the Income Tax department has noted in the report that the findings are indicative in nature and detailed efforts need to be made during the course of assessment to ascertain actual quantum of concealed income. We note that the Addendum to RHP dated July 11, 2025 has referred to the Appellant's letter dated May 21, 2025 and the fact regarding the internal reports of the income tax department stands disclosed.

22. Respondents have given the details of subscription received to the Smartworks IPO on oath in their affidavits. It is stated in Company's affidavit that the addendum dated July 10, 2025, was published on the SEBI website on July11, 2025. The IPO was subscribed by 0.83% on the first day and subsequently, after the issue of the Addendum, oversubscribed by 13 times. During the course of arguments, Shri Janak Dwarakadas, learned Senior Advocate

submitted that as per the Offer Structure, the allotment of shares will be to four categories of investors -Qualified Institutional Buyers (QIBs) (upto50%), non-institutional bidders (not less than 15 %), Retail Bidders (not less than 35%) and Eligible Employees (sub-set of retail). He further submitted that IPO was subscribed 24 times by the QIBs. It is relevant to note that these investors are supported by professional analysts and it would be incongruous to assume that QIB investors and High Net Worth investors would have invested without proper analysis. It is not in dispute that appellant's complaints dated January 12, 2025, March 29, 2025 and May 21, 2025 were disclosed in the prospectus. Notwithstanding the same, the IPO has been oversubscribed by the figures mentioned herein.

23. Admittedly, appellant has described itself as an NGO. It has not made any investments. IPO was opened between July 10 to 14, 2025. The anchor investors have invested a day prior to IPO i.e. on July 9, 2025. As on the date of hearing, i.e. July 15, 2025, the issue was oversubscribed by 13 times. It was urged by the respondents that if this Tribunal were to interfere at this stage, the same will have serious adverse consequences on the share price.

24. As stated above the main question for our consideration is whether any interference is called for at this stage. In our considered view, the Respondents are right in their submission. We say so because of the overwhelming subscription by the investors of which the Qualified Institutional Buyers (QIBs), Foreign Institutional Investors and the mutual funds account for more than 50%. We are convinced that the investors subscribing to the issue have made informed decision as the response has been more positive after the issue of Addendum. Therefore, in the facts of this case, in our considered view, any interference at this stage would adversely affect the investors and accordingly the answer the question formulated by us in the ***negative***.

25. So far as the grounds of maintainability is concerned, having regard to the peculiar facts, we have considered the matter on merits. Therefore, the question of maintainability of an appeal under Section 15T of the SEBI Act, is kept open for consideration in an appropriate case and we make it clear that this decision shall not be treated as a precedent.

26. In the light of our opinion that no interference is called for, we do not find it necessary to record detailed findings with regard to other

grounds, namely, the mala-fides of the appellant and its locus. The question of locus by a non-investor is also kept open.

<u>Per Dr. Dheeraj Bhatnagar, Technical Member</u>

27. I concur with the order per the Hon'ble Presiding Officer. In continuation of the same, I am adding the following paragraphs.

28. The relevant provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**") contemplate a regime in which material disclosures are required to be made in the Offer Documents. This process is overseen by the Lead Manager who is required to exercise due diligence and satisfy itself as to the veracity and adequacy of the disclosures made. It is expected that based on these disclosures, the investor is then in a position to make an informed decision whether to invest in the IPO or not.

29. Part A of the Schedule VI of the ICDR Regulations, 2018 (titled 'Disclosures in offer document/letter of offer") provides for various disclosure requirements. Clause (12) thereof relating to 'Legal and Other Information') requires disclosure of "Outstanding Litigations and Material Developments" as under:

"(A) ***Outstanding Litigations and Material Developments***

1) Pending Litigations involving the issuer/ its directors/ promoters/ subsidiaries:

(i) All criminal proceedings;
(ii) All actions by regulatory authorities and ***statutory authorities;***
(iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
(iv) ***Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount****;*
(v) Other pending litigations -As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document".

30. The respondent No. 2 has submitted that item (iv) above, relates to disclosure of tax *claims* and in its case, admittedly, there are no claims of outstanding demands from the income tax department against the company. Even the appellant has not been able to show any notice of demand under Section 156 of Income Tax Act, 1961 pending disclosure in RHP in terms of Clause 12(A)(1)(iv) of Part A of ICDR Regulation. A notice u/s 156 is issued after an assessment order is passed, by which claim for tax demand is created.

31. In SEBI's view, in addition to item (iv) above, disclosure is also required to be made in the RHP in respect of any show-cause notice issued by Income tax department, as stipulated in Clause 12(A)(1)(ii) of Part A, which covers "*all actions by regulatory authorities and* ***statutory authorities***". The appellant could not bring before us any notice for commencement of assessment/ re-assessment proceeding issued by the income tax department, based on the information contained in the said internal report/ document, that was not disclosed in the RHP as per the Clause 12(A)(1)(ii) of Part A of ICDR regulations.

32. The case of the appellant is built solely on the basis of certain internal communications within the income tax department in the nature of some documents/reports which came in the hands of appellant, without however, supported by any existing *claim of tax demand* or show cause notice, that was not disclosed in the RHP. Large number of complaints in tax matters/Tax evasion petitions (TEPs), are received by the tax authorities on a regular basis. Based on internal examination, where the complaints warrant inquiry, statutory notices are issued to the taxpayer. Where regular assessments are time-barred, notices for re-assessment are issued

following due process of approval. In case, the findings of inquiry confirm allegations of tax evasion, an order of assessment/re-assessment, as the case may be, is passed resulting in addition to income. A statutory notice for demand under section 156 is also issued. Hence, any information, which may have been subject-matter of a complaint, is shared with the taxpayer through such statutory notices only and not otherwise. The SEBI (ICDR) Regulations require disclosure of such pending proceedings for assessment/reassessment or outstanding claim of tax demand, since the same may have a bearing on the company/investors. No evidence was brought before us suggesting issue of any statutory notice for examining the contents of the complaint, based on information contained in the internal documents of income tax department, pending statutory action. Similarly, no notice of demand pending compliance by appellant was brought before us.

33. Ordinarily, with a view to protect privacy of information relating to a taxpayer, sharing of such information by the tax department even with other statutory/Government authorities is strictly governed by the specific provisions of section 138 of Income Tax Act. It is not clear how the internal documents of the

tax department including the complaints against respondent No. 2 and its promoters reached the hands of appellant, an unrelated Third party. Without prejudice, the findings of the report of the Income Tax department shows it as *indicative* in nature, based on which, further assessment/ reassessment proceedings could be initiated, subject to satisfaction of due process for initiating assessment/ reassessment proceeding. In the absence of this, no show-cause notice could be issued and no claim of tax demand be created. Accordingly, till such time such a notice for inquiry is issued, or such inquiry results in notice of demand, no disclosure is called for in terms of Clause 12(A)(1) of Part A of ICDR Regulation. We are informed that the company, through the RHP, has nevertheless made due disclosure in respect of contents of such complaints and given its response, and made it available for inspection for public.

34. In view of this, the respondent No. 1 cannot be held to have failed in its duty in respect of compliance by respondent no. 2 with the disclosure requirements under the provisions of Clause 12(A)(1) of Part-A of ICDR Regulation.

35. In the light of above, the following:

<u>ORDER</u>

i. Appeal is ***dismissed.***

ii. Pending interlocutory application(s), if any, stand disposed of.

iii. No costs.

Justice P. S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

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After we pronounced the order in Court, Shri Amit Patil, learned Advocate for the Appellant made an oral prayer that we should stay this order for a period of one week. On a query raised by this Tribunal with regard to the provision of law seeking stay, learned Advocate for the appellant simply sought for a stay without mentioning any specific provision of law or any specific ground.

2. We have considered the contentions urged at length and passed the order. We find no good reason to accede his request. Consequently, the prayer for stay of our order is rejected.

Justice P. S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

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