

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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SETTLEMENT ORDER  
IN SETTLEMENT APPLICATION NO. 6781/2022  
FILED BY SPANDANA SPHOORTY FINANCIAL LIMITED [PAN: AAICS6213N]  
IN THE MATTER OF SPANDANA SPHOORTY FINANCIAL LIMITED

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1. Spandana Sphoorty Financial Limited (“**Applicant/Company/SSFL**”) filed a *suo motu* Settlement Application (“**Application**”) in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (“**Settlement Regulations**”) proposing to settle, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order, the enforcement proceedings that may be initiated against it, for the alleged non-compliance of the provisions of circular no. CIR/CFD/CMD1/114/29 dated October 18, 2019 issued by the Securities and Exchange Board of India (“**SEBI Circular**”) read with regulations 18(3), 30(2) and 36(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR**”).

2. The brief facts of the case are as follows:

2.1 The applicant is an NBFC Microfinance Institution registered with Reserve Bank of India (“RBI”) since April 13, 2015. Pursuant to an initial public offer, the equity shares of SSFL listed on the BSE and NSE on August 19, 2019. S. R. Batliboi & Co. LLP was the then statutory auditor of the applicant (hereinafter referred to as Batliboi) and had audited the company for a continuous period of eight years. Vide a notification bearing number DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, RBI restricted the tenure of a Statutory Auditor to a maximum of 3 years on a

continuous basis, followed by its ineligibility to audit the same firm for the next 6 years. The aforesaid RBI Notification was applicable to an NBFC from the second half of the financial year 2021-2022, i.e., from October 01, 2021. In accordance with the criteria prescribed under the aforesaid RBI Notification, the then Auditor of the applicant was also required to resign as the statutory auditor from the second half of the financial year ending March 31, 2022.

2.2 In terms of the requirements of paragraph 6(A) of the SEBI Circular dated October 18, 2019, before tendering its resignation, Batliboi was required to issue the limited review/ audit reports for the quarter ending September 30, 2021, December 31, 2021 and the last quarter of the Financial Year 2021-2022, i.e. quarter ended March 31, 2022, as well as submit the audit report for the Financial Year 2021-2022. Vide an email dated February 03, 2022, the applicant informed SEBI that Batliboi had resigned without issuing the limited review/audit reports for the aforesaid periods as they were ineligible to continue as their statutory auditors. In view of the same, it is alleged that the company had failed to comply with the provisions of paragraph 6(A) of SEBI Circular read with regulations 18(3), 30(2) and 36(5) of the LODR.

3. Pursuant to the receipt of the application, the authorized representatives of the applicant had a meeting with the Internal Committee of SEBI on May 30, 2022. Thereafter, the applicant vide email dated June 03, 2022, proposed revised settlement terms to settle the proceedings that may be initiated against it.
4. The High Powered Advisory Committee (“**HPAC**”) in its meeting held on July 21, 2022, considered the revised settlement terms proposed by the applicant and recommended the case for settlement upon payment of Rs. 25,00,000/- (Rupees Twenty Five Lakhs only) which was accepted by the Panel of Whole Time Members. Subsequently, a Notice of demand was issued to the

applicant on September 19, 2022. The applicant vide email dated October 03, 2022 intimated that the aforesaid amount was remitted September on 22, 2022. The receipt of the above payment to SEBI is confirmed.

5. In view of the above, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the proceedings that may have been initiated for the alleged defaults as mentioned at paragraph 1 above are settled *qua* the Applicant as per the following terms:
  - i.* this Order disposes of the proceedings that may be initiated for the said default as mentioned above, in respect of the Applicant;
  - ii.* SEBI shall not initiate enforcement action against the Applicant for the said default; and
  - iii.* passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to take enforcement actions including commencing proceedings against the Applicant, if SEBI finds that:
    - (a) any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;
    - (b) the Applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
    - (c) there was a discrepancy while arriving at the settlement terms.
6. This Settlement Order is passed on this 25<sup>th</sup> day of October, 2022 and shall come into force with immediate effect.

7. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

Sd/

**ANANTA BARUA**  
**WHOLE TIME MEMBER**

Sd/-

**ASHWANI BHATIA**  
**WHOLE TIME MEMBER**