



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: ORDER/AK/RK/2026-27/32437-32445)**

**U/S 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 R/W
RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE
FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

Noticee No.	Name of the Noticees	PAN
1	Prime Focus Limited	AAACP6811B
2	Naresh Malhotra	AADPM9824D
3	Namit Malhotra	AACPM0384K
4	Ramakrishnan Sankaranarayanan	AALPR6472J
5	Nishant Avinash Fadia	AAAPF1511D
6	Rivkaran Singh Chadha	AABPC7794G
7	Kodi Raghavan Srinivasan	AAEPK6525C
8	Padmanabha Gopal Aiyar	AACPA2659K
9	Samu Devarajan	AOVPS7065L

In the matter of Prime Focus Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (“**SEBI**”) carried out an investigation in the matter of alleged failure by Prime Focus Limited (hereinafter referred to as the “**PFL/Company/Noticee 1**”), a company listed on the Bombay Stock Exchange (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”), to ascertain possible violation of provisions of SEBI Act, 1992 (hereinafter referred to as the “**SEBI Act**”), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market Regulations, 2003) (hereinafter referred to as “**PFUTP Regulations**”), and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the “**LODR Regulations**”) by Noticee 1 and its officials in preparing the financial statements in accordance with applicable Accounting



Standards, during FY 2019-20 to FY 2021-22 (hereinafter referred to as the “**Investigation Period/ IP**”).

2. Pursuant to the investigation, it was found that Noticee 1 and its officials viz, Naresh Malhotra (Whole-Time Director, Promoter) (**Noticee 2**), Namit Malhotra (Non-Executive Director, Promoter) (**Noticee 3**), Ramakrishnan Sankaranarayanan (Non-Executive Director) (**Noticee 4**), Nishant Avinash Fadia (Chief Financial Officer) (**Noticee 5**), and Independent Directors and Audit Committee Members, viz Rivkaran Singh Chadha (**Noticee 6**), Kodi Raghavan Srinivasan (**Noticee 7**), Padmanabha Gopal Aiyar (**Noticee 8**), and Samu Devarajan (**Noticee 9**), (hereinafter all of them are collectively referred to as the “**Noticees/You**”), prima facie, failed to comply with applicable provisions.

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations by the Noticees, SEBI appointed Shri Amar Navlani as the Adjudicating Officer (**AO**) u/s 15-I(1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the “**SEBI Adjudication Rules**”), to inquire into and adjudge u/s 15HA and 15HB of SEBI Act, as applicable, the alleged violations by the Noticees. Subsequently, Shri Shashi K Valsakumar & Smt Asha Shetty were appointed as AOs in the matter. Finally, pursuant to the transfer of matter, undersigned was appointed as AO, vide order dated November 22, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice dated December 11, 2023 (hereinafter referred to as “**SCN**”) was issued to the Noticees in terms of the provisions of Rule 4(1) of the SEBI Adjudication Rules r/w Section 15-I of the SEBI Act, requiring the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed u/s 15HB of the SEBI Act upon them for violations, as stated in the SCN.
5. In response, the Authorized Representatives(AR) of the Noticees, vide email dated December 23, 2023 requested to be provided with certain documents and inspection of documents in the matter. Noticees were provided with the Annexure -



1 to the SCN and copy of Investigation Report, vide email dated January 18, 2024 along with an opportunity to inspect all the relevant and relied upon documents in the matter on January 24, 2024. AR of the Noticees availed the opportunity of inspection of documents on the said date. Vide email dated January 29, 2024, AR of the Noticees again requested to be provided with some additional documents. The Noticees on February 09, 2024 filed Settlement application in terms of SEBI (Settlement Proceedings) Regulations, 2018. However, the said application was rejected, vide SEBI letter dated March 11, 2026.

6. Pursuant to the above, and transfer of proceedings to the undersigned, a final opportunity of inspection of documents was granted to the Noticees on March 20, 2026, vide email dated March 18, 2026. AR of the Noticees, vide email dated March 18, 2026 requested to reschedule the inspection in the matter to a later date. Thus, the said inspection was rescheduled to March 25, 2026, vide email dated March 20, 2026. AR of the Noticees duly availed the said opportunity, wherein all the relevant and relied upon documents in the matter were provided to them. Noticees were also provided with an opportunity to submit reply in the matter, by April 12, 2026. Vide emails dated April 12, April 13, 2026, and May 15, 2026, AR submitted reply on behalf of the Noticees.
7. Following were the observations, basis which allegations were made in the SCN against the Noticees:

The focus of investigation was to examine the transactions, wherein PFL sold its VFX business division to DNEG Creative Services Limited (“DCSL”), indirect subsidiary of PFL with controlling interest of 90.29% stake, during FY 2019-20 and its business of all post-production related services to DNEG India Media Services Limited, an indirect subsidiary of PFL with controlling interest of 90.29% stake, during FY 2021-22.

7.1 Observations in respect of Noticee 1 to 5:

7.1.1 Sale of VFX Business Division (“VBD”) from PFL to DNEG Creative Services Limited – Slump Sale leading to misstatement of financials and inflated network

- 7.1.1.1 Following was inter-alia stated at para 35 at page no. 168 of Annual Report for FY 2019-20:



- A. PFL had executed a Business Transfer Agreement on October 7, 2019 with DC SL, an indirect subsidiary of PFL with controlling interest of 90.29% stake, for sale of its VFX business division on a slump sale basis to DC SL for a consideration of ₹273.43 Crore.
- B. The gain on sale of the VFX division aggregating to ₹200.27 Crore (net of tax of ₹60.83 crore) had been shown under exceptional items in FY 2019-20.
- C. PFL received part of the sale consideration of ₹135 crore during the same year and expected to receive the balance within the next year as per the Business Transfer Agreement.
- 7.1.1.2 It was observed that at para 19(b) on page no. 26 of the Annual report of PFL for FY 2020-21, it was *inter-alia* stated that DC SL ceased to be subsidiary of PFL w.e.f April 01, 2020 pursuant to amalgamation with DNEG India Media Services Limited (“DIMSL”) during 2019-20. Accordingly, DIMSL from hereon is referred to as the “**Acquirer**”.
- 7.1.1.3 It was observed that the said sale of VFX business division resulted in showing additional profit of ₹200.27 crore (net of taxes) in the financial statements of PFL for FY 2019-20 on standalone basis and consolidated basis. The said transaction added ₹200.27 crore as income from sale of investment (net of tax of ₹60.83 crore) on the liability side under the heading “Reserves and Surplus” and ₹273.43 crore as asset (receivable from DIMSL) in balance sheet of PFL on standalone basis.
- 7.1.1.4 Similarly, the said transaction added ₹200.27 crore as income from sale of investment (net of tax of ₹60.83 crore) on the liability side under the heading “Reserves and Surplus” and ₹273.43 crore as asset (increased value in assets) in balance sheet of PFL on consolidated basis.
- 7.1.1.5 It was observed that the net profit/(loss) for the said year was ₹166.67 crore and (₹67.56 crore) for PFL on standalone and consolidated basis respectively. Had this sale of VFX business division not been carried out at the valued price during the year then the PFL would have had a loss of ₹33.6 crore and ₹267.83 crore respectively.
- 7.1.1.6 Due to the additional gain from this transaction, the net-worth of the company based on the reported financials was ₹1264.99 crore and ₹476.48 crore for FY



2019-20 at standalone and consolidated basis respectively. Without the additional gain from this transaction, the net-worth of the company would have been ₹1064.72 crore and ₹276.21 crores for FY 2019-20 at standalone and consolidated basis respectively.

7.1.2 Sale of all post-production related services that were undertaken by PFL by way of a slump sale to DNEG India Media Services Limited

7.1.2.1 It was also observed from para 34 at page no. 167 of the Annual Report for FY 2021-22 that similar accounting entries had been carried out by PFL wherein PFL had sold the business of all post-production related services (“PPS”) that was undertaken by PFL by way of a slump sale to DNEG India Media Services Limited (“DIMSL”), an indirect subsidiary of PFL with controlling interest of 90.29% stake, for a lump sum consideration of ₹365 crore, adjusted for working capital adjustments and indebtedness, resulting into gain of ₹250.20 crore, recorded as an “exceptional item”.

7.1.2.2 It was observed that the said sale of PPS resulted in additional profit of ₹250.20 crore in the financial statements of PFL for FY 2021-22 at standalone basis and consolidated basis. The said transaction added ₹250.20 crore as income from sale of investment on the liability side under the heading “Reserves and Surplus” and ₹379.48 crore as asset (receivable from DIMSL) in balance sheet of PFL on standalone basis.

7.1.2.3 Similarly, the said transaction added ₹250.20 crore as income from sale of investment on the liability side under the heading “Reserves and Surplus” and ₹250.20 crore as asset (increased value in assets) in balance sheet of PFL on consolidated basis.

7.1.2.4 In this regard, it was observed that the net profit for the said year was ₹290.70 crore. Had this sale of post-production related services not been carried out during the year then PFL would have shown a profit of ₹40.50 crore only. Hence, the reported profit due to sale of post-production related services increased the profit by 618% during the year. Due to the additional gain from this transaction, the networth of PFL based on the reported financials was ₹1582.51 crore and ₹191.73 crore for FY 2021-22 at standalone and



consolidated basis respectively. Without the additional gain from this transaction, its networth would have been ₹1332.31 crore and negative ₹58.47 crore for FY 2021-22 at standalone and consolidated basis respectively.

7.1.2.5 Further, with respect to the funds received by PFL from DIMSL for the sale consideration, PFL had submitted that during 2022-23, it had received total funds of ₹224.48 crore from DIMSL as under:

(in ₹ crore)

Sr. No.	Date of receipt of funds by PFL from DIMSL	Bank Account no. of PFL	Bank Account no. of DIMSL	Amount
1.	July 01, 2022	07881300002382 (Yes bank)	007881300001630 (Yes bank)	15.35
2.	August 04, 2022	00181300000833 (Yes bank)	007881300001630 (Yes bank)	31.57
3.	December 09, 2022	07881300002382 (Yes bank)	007881300001630 (Yes bank)	6.07
4.	December 14, 2022	07881300002382 (Yes bank)	007881300001630 (Yes bank)	1.49
5.	December 15, 2022	07881300002382 (Yes bank)	007881300001630 (Yes bank)	70
6.	December 19, 2022	07881300002382 (Yes bank)	007881300001630 (Yes bank)	100
TOTAL				224.48

7.1.2.6 In this regard, it was observed that the major amount (i.e. ₹177.58 crores which was 79.10 % of the total) was received by PFL post initiation of investigation by SEBI with respect to the aforesaid transactions. Hence, the same was observed to be an afterthought by PFL.

7.1.2.7 It was observed that DIMSL was indirect subsidiary of PFL with controlling interest of 90.29% stake wherein both the entities were under common control as there were same set of promoters in both the companies. Further, Directors of PFL viz. Noticee 2, 6 and 8 were also Directors on the Board of DIMSL.

7.1.2.8 Accordingly, it was observed that DCSL (during 2019-20) was an indirect subsidiary of PFL with 90.29% of its shareholding controlled through wholly owned subsidiary of PFL and remaining 9.71% controlled by holding company of PFL. Thus PFL, DCSL and DIMSL were under common control.

7.1.2.9 In this regard, Appendix C of Accounting standards 103 states “*Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory*”. Thus, it was observed in the instant matter that



business had been transferred during both 2019-20 and 2021-22, between parties under common control.

7.1.3 Violations of Securities Laws:

7.1.3.1 In terms of Regulations 4(1)(a), (b), (e) and 48 of the LODR Regulations, a company is required to comply with all the applicable and notified Accounting Standards. As per Section 133 of the Companies Act, 2013 r/w Companies (Indian Accounting Standards) Rules, 2015, the Ministry of Corporate Affairs had notified the Indian Accounting Standards ("**IndAS**"), applicable to listed entities since April 01, 2017. Annual Report of PFL for FY 2019-20, states that the financial statements of PFL were prepared in accordance with IndAS.

7.1.3.2 In this regard, it was observed by SEBI that para 2 of IndAS 103 defines scope of IndAS 103, and para 2B, Appendix C deals with accounting for combination of entities or businesses under common control. As per appendix C, the scope of the said appendix is to deal with accounting for business combinations of entities or businesses under common control.

7.1.3.3 Further, it was observed that following terms are used in the Appendix C with the meaning specified:

“Transferor means an entity or business which is combined into another entity as a result of a business combination.

Transferee means an entity in which the transferor entity is combined.

.....

Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.”

7.1.3.4 It was observed that Appendix C inter-alia states that business combinations involving entities or businesses under common control shall be accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities (the company and its subsidiaries) shall be reflected at their carrying amounts and no adjustments are to be made to reflect fair values, or recognize any new assets or liabilities.



7.1.3.5 In the instant matter, the transaction involved business combination between the listed company and its indirect subsidiary with controlling interest of 90.29% stake and there was no transition of control. Hence, it was observed that the transactions were required to have been recorded at the carrying amounts of the respective assets and no adjustments were to be made to reflect fair values, or recognize any new assets or liabilities. Further, the accounts of DIMSL got consolidated in the books of PFL. Hence, DIMSL, the acquirer, in the instant case, was not required to follow a different accounting treatment for the same transaction.

Based on the above, it was alleged that PFL failed to comply with Regulations 4(1)(a), (b), (e) and 48 of LODR Regulations, and this deliberate non-compliance allowed it to inflate its standalone and consolidated books.

7.1.3.6 Further, in terms of provisions of Clause 2 of Part B of Schedule V read with 34(3) of LODR Regulations, if a different accounting treatment from that prescribed in an Accounting Standard has been followed in the preparation of financial statements, the fact is required to be disclosed in the financial statements, together with the management's explanation as to why it believed such alternative treatment was more representative of the true and fair view of the underlying business transaction.

As PFL had not followed IndAS 103 for the accounting treatment of transfer of business to subsidiaries and not disclosed about the different accounting treatment in the financial statements, PFL was alleged to be in violation of provisions of Clause 2 of Part B of Schedule V read with 34(3) of LODR Regulations.

7.1.3.7 It was observed that the non-compliance with IndAS 103 by PFL resulted in misrepresentation of its accounts/ financials statement, wherein it had inflated its profit, twice, by inflating valuation of its assets i.e. ₹200.27 crore during FY 2019-20 and ₹250.20 crore during FY 2021-22. The said transactions were carried out during FY 2019-20 and 2021-22, which had allegedly led to misstatement in the standalone and consolidated Financial Statements.



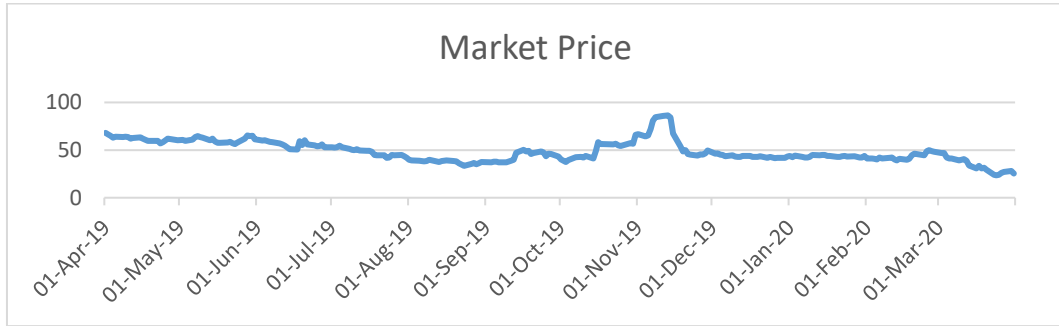
7.1.3.8 It was observed from the shareholding patterns disclosed in the stock exchanges that 100% of the promoter shareholding was pledged. The relevant details about pledge of shares owned by the promoters and additional collateral requirements are mentioned as under:

A. From the details of pledge of shares provided by promoters, it was observed that as per agreement signed between Noticee 2, Prime Focus World Creative Private Limited and Yes Bank dated December 03, 2014, the promoters had an obligation to increase the collateral value in case the price of shares of PFL went below threshold cover of 1.75 times of the loan value. The total shares pledged as per the agreement were 9360000 and the closing price as on date of agreement i.e. December 03, 2014, was ₹48.95/- per share. The total value of pledged shares was arrived at ₹45.82 crores.

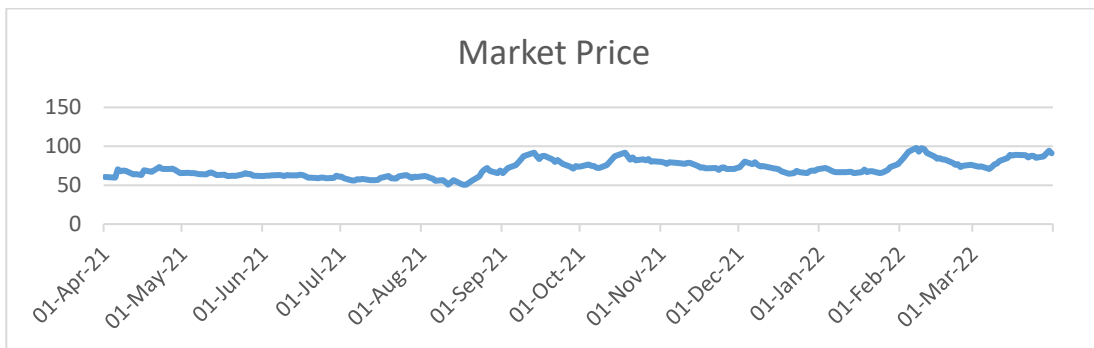
B. Similarly, another agreement dated April 17, 2017 was signed between pledgers; Noticee 2 and 3, Monsoon Studio Private Limited, PFL and Prime Focus World NV; and pledgee viz. Vistra ITCL (India) Limited, wherein total loan facility of ₹237 crore was provided to the pledgers and 6884053 shares were pledged against such loan facility. As per the agreement, the margin cover was to be maintained by the pledgers.

7.1.3.9 It was observed that had the price of the scrip fallen below a specific limit, additional collateral would have been required by the financiers. This was observed to have prompted the company to maintain their share prices in a specific price band so that they did not have to bring in additional collateral to guarantee their pledges. Further, it was observed that booking extra ordinary profits by employing business sale/slump sale to indirect subsidiary with controlling interest, and using revaluation by not adhering to established accounting standards, was a scheme devised by the management of PFL to create positive news by artificially booking profits and maintaining the price of the scrip.

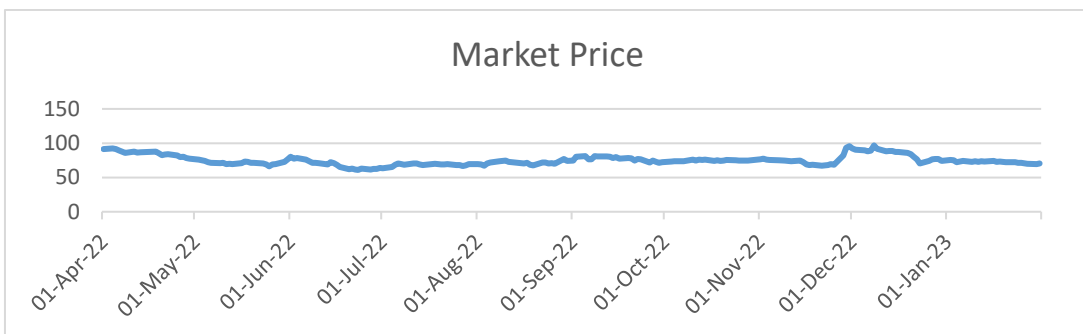
Price movement during the period FY 2019-20



7.1.3.10 It was observed that the price had been stable during most of the year except two major movements. The first major movement was subsequent to the announcement made by PFL on August 22, 2019 about slump sale of VFX business to DIMSL, the price rose in a month from ₹34.85/- to ₹48.70/- per share i.e. increase of 39.74%. The other movement was downward during COVID-19 pandemic, i.e. in FY 2021-22. The same is depicted below:



7.1.3.11 It was observed that the price of the scrip jumped immediately after announcement made by PFL on January 25, 2022 about slump sale of PPS business to DIMSL, the price rose in a month from ₹64.95/- to ₹75.15/- per share i.e. increase of 15.70% in FY 22-23. The relevant details for the period from April 01, 2022 to January 31, 2023 are also depicted below:





- 7.1.3.12 It was observed that the price had decreased during FY 2022-23 by 29.00% during period from April 01, 2022 to January 31, 2023 i.e. from 91.75 per share to 70.35/- per share. However, it was observed that the price of the scrip was 74.65/- per share on September 07, 2022 i.e. the date of announcement of annual accounts and the trajectory of price was maintained till date.
- 7.1.3.13 As per SEBI, it was observed that during the time when the financials of the company were misrepresented, price of the shares of the company continued to rise apparently since the published financial statements allegedly did not provide a true and fair view of the financials of the company and had impact on the price of the shares of PFL which could have induced investors to deal in the securities of the PFL.
- 7.1.3.14 It was observed from the loan agreement that shares were pledged by the promoters of PFL during the IP and the promoters were required to maintain the margin cover. Further, in order to maintain this margin cover, promoters were obligated to pay additional securities or funds to cover any shortfall. Thus, it was observed that PFL had allegedly not-complied with IND AS 103 which resulted in misstatement of financials during FY 2019-20 and 2021-22, and as per SEBI, the same was carried out with an intention to show a rosy picture of the financial health of the company. Had the real financial position of the company was available to the investors, the price would have followed a different trajectory that could have required the promoters to bring in additional margin/collateral to cover their pledge.
- 7.1.3.15 The instant accounting treatment by PFL of the aforesaid transactions related to sale of business divisions were allegedly not found to be in accordance with the applicable and notified Accounting Standard - IndAS 103 and consequently, the published financial statements of the company were alleged to be not presenting a true and fair view of the company's affairs. If this information would have been disclosed as per applicable accounting standards by the company, this ought to have had influenced the stakeholders of the company including public shareholders. The financials were published by the company despite knowing that the said financials were allegedly not



true and misleading, which were likely to influence the decision of investors dealing in securities and induce sale or purchase of securities.

Based on the above, it was alleged that it had violated the provisions of Regulations 4(2) (f) and (k) of PFUTP Regulations.

7.1.3.16 It was observed that the accounting treatment of transfer of business to subsidiaries was not in accordance with the applicable and notified Accounting Standards and PFL had allegedly violated IndAS 103, and violated Regulation 4(1)(a), (b), (e) of LODR Regulations and Clause 2 of Part B of Schedule V read with 34(3), and 48 of LODR Regulations, as a result, ordinary investors made their investment decisions based on inflated books of the company.

7.1.3.17 It was observed that any act of scheme or artifice to manipulate the books of accounts or financial statement of a company, that would directly or indirectly manipulate the price of the securities of that company, thereby inducing the investors to deal in securities or to remain invested in the securities of that company, are allegedly fraudulent and unfair trade practice relating to securities market', which are covered by the rigor of Regulation 3(c) and (d), 4(1) of PFUTP Regulations read with Section 12A(b) and (c) of the SEBI Act.

7.1.3.18 It was observed that PFL allegedly overstated its financials through these slump sales and it failed to present true and fair financial statements for FY 2019-20 and FY 2021-22. In light of the aforesaid observations, it was observed that it had executed transactions, which tantamount to misrepresentation of the accounts/ financials statement of the company.

Based on the above, it was alleged that PFL allegedly violated Section 12A(b) and (c) of the SEBI Act; Regulation 3(c) and (d) and Regulation 4 (1), 4(2)(f) and (k) read with 2(1)(b) and 2(1)(c)(1 & 9) of PFUTP Regulations; and Regulation 4(1)(a), (b), (e), Clause 2 of Part B of Schedule V read with 34(3), and 48 of LODR Regulations.

7.1.4 As regards Directors and Chief Financial Officer of PFL, SEBI observed as follows:

7.1.4.1 It was observed that the following were the details of the Board of Directors and Chief Financial Officer ("CFO") during FY 2019-20 and 2021-22:

(Source: Annual Report of PFL)



Sr. No.	Name of the Key Management Personnel	Designation
1.	Mr. Naresh Malhotra	Chairman, Whole-time director and Promoter
2.	Mr. Namit Malhotra	Non-Executive Director, Promoter
3.	Mr. Ramakrishnan Sankaranarayanan	Non-Executive Director
4.	Mr. Nishant Avinash Fadia	Chief Financial Officer
5.	Mr. Rivkaran Singh Chadha	Independent Director,
6.	Mr. Kodi Raghavan Srinivasan	Independent Director
7.	Mr. Padmanabha Gopal Aiyar	Independent Director
8.	Mr. Samu Devarajan	Independent Director
9.	Ms. Hemalatha Thiagarajan	Independent Director
10.	Mr. Udai Dhawan	Non-Executive Director (Nominee Director for Augusta Investments I Pte. Ltd)
11.	Mr. Jai Ambani*	Non-Executive Director

*appointed on November 14, 2019 and resigned w.e.f. October 30, 2020

7.1.4.2 The number of meetings attended by the Noticee 2-9 as board of directors during FY 2019-20 and 2021-22 are given below:

(Source: Annual Report of PFL)

Name of Member (H = Held, A=Attended)	2019-20		2021-22	
	H	A	H	A
Mr. Naresh Malhotra	7	7	7	7
Mr. Namit Malhotra	7	1	7	1
Mr. Ramakrishnan Sankaranarayanan	7	5	7	4
Mr. Kodi Raghavan Srinivasan	7	4	7	2
Mr. Padmanabha Gopal Aiyar	7	3	7	2
Mr. Rivkaran Singh Chadha	7	6	7	7
Mr. Samu Devarajan	7	6	7	6

7.1.4.3 In this regard, vide summons dated January 20, 2023, comments were sought from directors, audit committee members and CFO. In this regard, vide summons dated January 20, 2023, comments were sought from directors, audit committee members and CFO. The directors including non-independent directors and independent directors replied *inter-alia* stating as under:

7.1.4.3.1 That their roles and responsibilities under applicable law, including the LODR Regulations were specific and limited. Their responsibilities did not include day-to-day management of the Company, including the preparation of financial statements in accordance with applicable law and accounting standards, amongst others.

7.1.4.3.2 Their responsibilities did not include the responsibility to independently verify and examine each accounting entry made by the Company's



management in its financial records/statements. Further, they did not possess the expertise required to undertake such verification. In their understanding, their role involved the exercise of independent judgment with due and reasonable care, skill and diligence consistent with the standards expected of a non-executive director, including insofar as approval of financial statements of the company was concerned.

7.1.4.3.3 They placed reliance on the expertise of the management and finance team of the company to prepare the financial statements in a true and fair manner, and the independent statutory auditors of the company to audit and report on such financial statements in accordance with the relevant auditing standards and applicable laws. In their understanding, this position was in line with the applicable laws and judicial precedents.

7.1.4.4 In this regard, following was observed by SEBI with respect to the role of Directors and CFO:

7.1.4.4.1 A company acts through its board of directors. The directors are responsible for all the acts of omission and commission by the company. It is the duty and responsibility of the directors to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. The directors have the duty of being vigilant, which calls for exercise of judgment which may reasonably be expected of a director in his position and any additional knowledge, skill and experience which he may possess.

7.1.4.4.2 The directors of the listed companies have greater responsibility as they have access to inside information such as the financial position of the company, annual accounts, etc., and they take major decisions on behalf of the company, which affects the investors. Therefore, they are expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company. Any misuse of their powers for making false misrepresentations to the public shall be construed as failure in their duties as directors of the company.



7.1.4.5 With respect to role of Noticee 2, it was observed that Section 27(1) of SEBI Act, 1992 provides that where a contravention of any of the provisions of SEBI Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. It was observed that Noticee 2 was Chairman and Whole Time Director and had failed to exercise duty of care by misrepresenting the financials and had failed to discharge his fiduciary responsibility. It was observed that the entire scheme was envisaged to benefit the promoter by maintaining the share price above a threshold level so as to avoid any margin calls from financiers.

Based on the above, it was alleged that Noticee 2 viz., had violated provisions of Section 12A(b) and (c) of the SEBI Act, Regulation 3(c) and (d), 4(1), 4(2)(f) and (k) read with 2(1)(b) and 2(1)(c)(1 & 9) of PFUTP Regulations; and Regulation 4(1)(a), (b), (e), 4(2)(f) and 48 of LODR Regulations read with Section 27(1) of SEBI Act 1992.

7.1.4.6 With respect to Noticee 4, it was observed that he was non-executive non-independent director. He was signatory to the financial statements provided in the annual report and attended the board meetings wherein annual accounts of the company were approved for FY 2019-20 and 2021-22.

7.1.4.7 Further, Section 27(2) of SEBI Act, 1992 provides that where an offence under SEBI Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

7.1.4.8 It was observed that Noticee 3 and 4, being part of the promoter group then, had failed to exercise duty of care by misrepresenting the financials and had failed to discharge the fiduciary responsibility, and both of them had also failed



to exercise due diligence and care by misrepresenting the financials and had failed to discharge the fiduciary responsibility.

Based on the above, it was alleged that Noticee 3 and 4 had violated provisions of Section 12A(b) and (c) of the SEBI Act, Regulation 3(c) and (d), 4(1), 4(2)(f) and (k) read with 2(1)(b) and 2(1)(c)(1 & 9) of PFUTP Regulations; and Regulation 4(1)(a), (b), (e), 4(2)(f) and 48 of LODR Regulations read with Section 27(2) of SEBI Act.

- 7.1.4.9 It was observed that CFO in his reply had stated that DIMSL being financially independent from parent company i.e. PFL, mandated PFL to transfer the business divisions at fair value. In this regard, it was observed that the financial independence from the parent company does not change the fact that the indirect subsidiary was owned and controlled by the parent company with controlling interest of 90.29% stake.
- 7.1.4.10 Further, it was observed that in terms of regulation 17(8) of LODR Regulations, the CFO is required to provide the compliance certificate to the board of directors. Further, under regulation 33(2)(a) of LODR Regulations, it is the duty of the CFO of the listed entity to certify that the published financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading while placing the financial results.
- 7.1.4.11 Additionally, it was observed that the LODR Regulations mandate that while placing the financial results before their Board, CFO needs to certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. Thus, CFO needs to inter-alia certify that the financial statements do not contain any misleading statement, present a true and fair view of the company's affairs as well as are in compliance with existing accounting standards, applicable laws and regulations. Further, CFO needs to inter-alia certify that there were no transactions of the listed entity during the said financial year which were fraudulent in nature.



7.1.4.12 In this regard, it was observed Noticee 5, CFO, had certified that the published financial results did not contain any false or misleading statement or figures and did not omit any material fact which made the statements or figures contained therein misleading while placing the financial results.

Based on the above, it was alleged that Noticee 5 had violated Section 12A(b) and (c) of the SEBI Act and Regulation 3(c) and (d) and Regulation 4(1), 4(2)(f) and (k) read with 2(1)(b) and 2(1)(c)(1 & 9) of PFUTP Regulations; and Regulations 4(1)(a), (b), (e), 17(8) read with Part B of Schedule II and 48 of LODR Regulations read with Section 27(2) of SEBI Act.

7.2 Observations in respect of Noticee 6 to 9:

Role of Audit Committee of PFL:

7.2.1 It was observed that following were the details of the number of meetings attended by the members of the Audit Committee (Noticee 6 to 9):

Name of Member (H = Held, A=Attended)	2019-20		2021-22	
	H	A	H	A
Mr. Rivkaran Singh Chadha	5	5	7	7
Mr. Kodi Raghavan Srinivasan	5	3	7	2
Mr. Padmanabha Gopal Aiyar	5	3	7	2
Mr. Samu Devarajan	5	5	7	6

7.2.2 It was observed that as per the Annual Reports of the company, the broad terms of reference included terms mandated in Part C of Schedule II of LODR Regulations and Section 177 of the Companies Act including examination of the financial statement of the company, overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; Scrutiny of inter-corporate loans and investments; internal financial control; reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems; recommending the appointment/ reappointment of statutory auditor, internal auditor and recommending/fixation of audit fees, reviewing the significant internal audit findings, related party transactions, reviewing the Management Discussions and Analysis of financial condition and results of operations, scrutiny of inter-corporate loans and investments.



7.2.3 It was observed that Noticee 1 did not comply with Ind AS 103 (FY 2019-20 and 2021-22) in preparation and presentation of the financial statements in respect of slump sales, which resulted in alleged misstatement of published financial statements. In this regard, it was observed that there were deficiencies on the part of members of audit committee in oversight of the PFL's financial reporting process and the disclosure of its financial information to ensure that the financial statement was correct, sufficient and credible.

7.2.4 It was observed that the members of the audit committee allegedly failed to question the management when the profits of the company were significantly inflated using transactions within the group.

Based on the above, it was alleged that Noticee 6-9 had violated the provisions of Regulation 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of SEBI (LODR) Regulations.

- 8 In response to the SCN, the Noticee gave its response vide letters dated April 12, 2026 and April 13, 2026.
- 9 In the interest of natural justice, an opportunity of personal hearing was granted to the Noticees on April 27, 2026, vide hearing Notice dated April 13, 2026. However, the said hearing was adjourned to May 06, 2026, as per the request of the AR of the Noticee, vide email dated April 15, 2026. The said hearing was attended to by the AR of the Noticees, wherein AR reiterated the submissions already made by the Noticees, vide their reply dated April 12, 2026 and April 13, 2026. AR of the Noticees sought time to make further submissions in the matter, relied upon by them during the course of hearing. Noticees made further submissions, vide email dated May 15, 2026.
- 10 Before moving forward, it is pertinent to look at relevant provisions, which are alleged to have been violated by the Noticees. The same are reproduced hereunder:

Relevant Sections of SEBI Act, 1992

CHAPTER VA

PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

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

12A. No person shall directly or indirectly—

...



(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;

...”

PFUTP Regulations

“...

Definitions

2. (1) In these regulations, unless the context otherwise requires,—

...

(b) “dealing in securities” includes:

(i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act;

(ii) such acts which may be knowingly designed to influence the decision of investors in securities; and

(iii) any act of providing assistance to carry out the aforementioned acts.

(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce an other person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

...”

CHAPTER II

PROHIBITION OF FRAUDULENT AND UNFAIRTRADE PRACTICESRELATING TO THE SECURITIES MARKET

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

...

(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.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a ⁴[manipulative,] fraudulent or an unfair trade practice in securities ⁵[markets]

⁶[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 ⁷[manipulative] fraudulent or an unfair trade practice if it involves ⁸[any of the following]:—

..

(f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 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;

...

(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;

...”

LODR Regulations

“...

Principles governing disclosures and obligations.

4.(1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

(a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.

(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

...

(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language

...

(2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.

*(f) **Responsibilities of the board of directors:** The board of directors of the listed entity shall have the following responsibilities:*

(i) Disclosure of information:

(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

...



Board of Directors.

17 (1)...

(8) *The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II.*

...

Audit Committee.

18.(1)...

(3) *The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.*

...

Accounting Standards.

48. *The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.*

...”(Note: For complete/extant text, relevant Act/Regulation etc. may please be referred)

CONSIDERATION OF ISSUES AND FINDINGS

11 I have gone through the submissions of the Noticees, facts, and material available on record. The issues that arise for consideration in the present case are:

ISSUE No. I: Whether Noticees have violated the provisions of SEBI Act, PFUTP Regulations and LODR Regulations, as alleged in the SCN?

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HA and 15HB of SEBI Act, as applicable upon Noticees?

ISSUE No. III: If so, what should be the monetary penalty, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the SEBI Adjudication Rules?

ISSUE No. I: Whether Noticees have violated provisions of SEBI Act, PFUTP Regulations and LODR Regulations, as alleged in the SCN?

12 Findings with respect to the alleged violations by Noticee 1

12.1 Noticee 1 sold its business divisions in FY 2019-20 and FY 2021-22 to its indirect subsidiaries, DCSL (later merged into DIMSL) and DIMSL respectively. I note that the sale of its businesses resulted in gains of Rs. 200.27 crore and Rs. 250.20 crore in FY 2019-20 and FY 2021-22 respectively, which were shown under exceptional items in its Standalone Financial Statements (SFS).

12.2 Whether Appendix C of Ind AS 103 applies to Acquiree?

12.2.1 I note that paragraph 1 of Ind AS 103 states that the objective of *this Ind AS* is *to improve the relevance, reliability and comparability of the information that a*



reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this Ind AS establishes principles and requirements for how the acquirer (emphasis supplied) recognizes and measures in its financial statements, the identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, goodwill acquired in business combination or a gain from bargain purchase, and determines what information to disclose to enable users of the FS to evaluate the nature and financial effects of the business combination. Thus, I note that Ind AS 103 provides accounting treatment of business combinations in the books of the Acquirer.

12.2.2 I also note that Appendix C is an integral part of Ind AS 103. While not directly implying that it is applicable only to the Acquirer, I note that paragraph 8 of Appendix C states that business combinations involving entities or businesses under common control shall be accounted for using the pooling of interests method; and paragraph 9 of Appendix C inter-alia provides that assets and liabilities of the combining entities are reflected at their carrying amounts, and no adjustments are made to reflect fair values, or recognize any new assets or liabilities.

12.2.3 If an entity sells one of its business divisions to another entity under common control, the selling entity will be derecognizing its business assets. As the assets are outgoing for the selling entity, pooling of interests method cannot be applied in its Financial Statements (FS). Thus, I note that Appendix C will not be applicable to the selling entity and will be applicable to the Acquirer.

12.2.4 I also take note of the response of Ind AS Technical Facilitation Group (ITFG) in issue 6 of ITFG Bulletin 22, wherein it is inter-alia stated that *Appendix C to Ind AS 103 lay down accounting for a common control business combination only from the perspective of the transferee.*

12.2.5 In view of the aforesaid, I find that Appendix C of Ind AS 103 is applicable to the Acquirer / Transferee.

12.2.6 In the present case, Noticee 1, PFL is an Acquiree / Transferor and not the Acquirer / Transferee. Therefore, Appendix 3 of Ind AS 103 will not be applicable to Noticee 1 for the sale of its businesses to its indirect subsidiaries.



12.3 Accounting in Standalone Financial Statements:

12.3.1 Noticee 1 has submitted that it has followed Ind AS 16 (Property, Plant & Equipment) (PPE) and Ind AS 38 (Intangible Assets) to account for the sale of its businesses, as such transactions were in the nature of sale of PPE and intangible assets.

12.3.2 As seen from the Standalone Financial Statements (SFS) for FY 2019-20 and FY 2021-22, Noticee 1 had disposed of PPE and right of use assets on account of sale of its business divisions.

12.3.3 As per paragraphs 68 and 71 of Ind AS 16, *the gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless Ind AS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue; The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.* Paragraph 113 of Ind AS 38 provides similar treatment with respect to sale of intangible assets.

12.3.4 I note that the sale of the business divisions was structured as sale of assets, and accounted accordingly.

12.3.5 I also note that Paragraph 4 of Ind AS 105 states that when an entity disposes of a group of assets and / or directly associated liabilities in a single transaction, and a non-current asset within the measurement requirements of this Ind AS is part of the disposal group, the measurement requirements of this Ind AS apply to the group as a whole, so that the group is measured at the lower of its carrying amount and fair values less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in paragraphs 18, 19 and 23 of Ind AS 105. Further, paragraph 24 of Ind AS 105 provides that requirements relating to derecognition of the disposal group / non-current asset are set out in paragraphs 67-72 of Ind AS 16 and paragraphs 112-117 of Ind AS 38. Ind AS 105 also prescribes the same treatment, as has been followed by Noticee 1.

12.3.6 Noticee 1 has recognized the difference between disposal proceeds and the carrying value of its assets as gains. It has not classified the gains as revenue,



and the gains are shown under exceptional items in the Statement of Profit and Loss.

12.3.7 Therefore, I find that the Noticee 1 has followed correct accounting treatment in its SFS.

12.4 Accounting in Consolidated Financial Statements:

12.4.1 It has been alleged in the SCN that Noticee 1 has shown gains from the sale of its business divisions in both the FYs under Exceptional Items in the Statement of Profit and Loss in its Consolidated Financial Statements (CFS).

12.4.2 Upon perusing the same, I find that no such gains from sale of its business divisions have been shown as gains or in its Reserves and Surplus.

12.4.3 Under Ind AS 110, all intra-group transactions between a parent and its subsidiary are eliminated. Consequently, any gain recognized in the parent's standalone financial statements is directly counterbalanced by an equivalent valuation adjustment or loss at the subsidiary level. Because these opposing entries are fully offset against each other during the consolidation process, the transaction has a net-zero impact on the group's consolidated financial statements.

12.4.4 Noticee 1 has submitted that it has eliminated the gains in both the FYs, in accordance with the prescribed treatment in Ind AS 110. I also note that the Statutory Auditor has not issued a qualified opinion or has not even mentioned in the CFS that the gains from the intra-group transaction were not eliminated. In the absence of cogent evidence in support of the allegation that gains from the intra-group transactions were not eliminated, the allegation of not complying with the applicable accounting standards in the CFS does not stand established.

12.5 The SCN also alleges that the sale consideration was received by the Noticee 1 in subsequent years, majorly after the investigation was initiated in the matter. I note that there is no allegation that sale proceeds were transferred to the Noticee 1 by rotating funds among the group entities. In the absence of such finding, and based on the above findings that the accounting treatment followed by the Noticee 1 was in accordance with applicable accounting standards, it cannot be concluded that PFL had prepared misleading financial statements.



12.6 In view of the above, I find that the allegation of violation of provisions of Regulation 4(1)(a), (b), (e) of LODR Regulations and Clause 2 of Part B of Schedule V read with 34(3), and 48 of LODR Regulations, does not stand established. As a result, the allegation of violation of provisions of Section 12A(b) and (c) of the SEBI Act; Regulation 3(c) and (d) and Regulation 4 (1), 4(2)(f) and (k) read with 2(1)(b) and 2(1)(c)(1 & 9) of PFUTP Regulations, against the Noticee 1, does not stand established.

12.7 Findings with respect to the role of Noticee 2-9

12.7.1 It is observed that the violations alleged against Noticees 2 to 9 are derivative, stemming entirely from the primary allegation that Noticee 1 contravened LODR Regulations by not complying with Ind AS 103, and publishing false financial statements.

12.7.2 As concluded in the preceding paragraphs, the allegation that the accounting treatment adopted by PFL (Noticee 1) violated Ind AS 103—or that its financial statements were false, misleading, or untrue so as to attract the provisions of the SEBI (PFUTP) Regulations or SEBI (LODR) Regulations—has not been established. Consequent to the failure of the primary charge against Noticee 1, the derivative charges against Noticees 2 to 9 concerning fraud, misleading disclosures, and failure of board oversight cannot stand independently. Accordingly, the allegations levelled against Noticees 2 to 9 in the Show Cause Notice (SCN) do not stand established.

13 Since, violations as alleged in respect of the Noticees are not established, therefore, ISSUE-II and ISSUE-III do not require any consideration.

ORDER

14 Accordingly, the Adjudication proceedings initiated against the Noticees vide SCN dated December 11, 2023 stands disposed of.

15 In terms of Rule 6 of the SEBI Adjudication Rules, a copy of this order is sent to the Noticees and also to SEBI.

Date: June 16, 2026

Place: Mumbai

**AMIT KAPOOR
ADJUDICATING OFFICER**