WTM/SP/CFID/CFID_4/32427/2026-27

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 15-I(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND SECTION 23-I(3) OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

In respect of:

Noticee No.	Name of the Noticees	PAN
1	Suzlon Energy Limited	AADCS0472N
2	Vinod R. Tanti	AARPT6367N
3	Girish R. Tanti	ABFPT3310E
4	Kirti J. Vagadia	AAKPV2224M
5	Amit Agarwal	AADPA3646H

In the matter of Suzlon Energy Limited:

Contents:

A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India ("**SEBI**") received an anonymous complaint on December 12, 2019 alleging irregularities in dealings of Suzlon Energy Limited ("**SEL"/ "Noticee 1"/ "Company**"), with its subsidiaries and associates. The matter was referred to NSE for preliminary examination, following which issues relating to investments, loans, impairment, related party disclosures and possible violations of 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 "**LODR Regulations**") were identified.

2. Pursuant thereto, SEBI conducted an investigation in the matter of SEL to ascertain any misrepresentation/ misstatement in its financial statements of Noticee 1, in violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA**"), PFUTP Regulations, LODR and Clauses of listing agreement. In this regard, a forensic auditor (Sarath & Associates) was also appointed. The period of investigation was from FY 2014-15 to FY 2019-20 and the first three quarters of FY 2020-21 (hereinafter referred to as the "**Investigation period**").

3. Based on the findings of investigation, it was observed that Noticee 1 and its officials, viz, Tulsi R. Tanti, Vinod R. Tanti (**Noticee 2**), Girish R. Tanti (**Noticee 3**), Kirti J. Vagadia (**Noticee 4**) and Amit Agarwal (**Noticee 5**), (hereinafter jointly referred to as "**Noticees**") had not complied with various provisions of SEBI Act, SCRA, PFUTP Regulations, LODR Regulations and clauses of listing agreement. Thereafter, SEBI initiated adjudication proceedings against the Noticees and appointed an Adjudicating Officer (**AO**) in this regard. Accordingly, AO issued a Show Cause Notice (**SCN**) dated

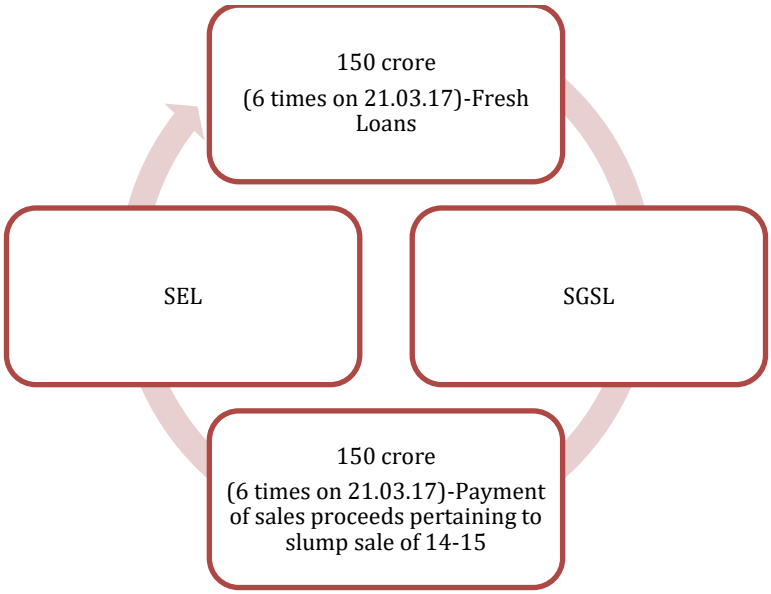
November 09, 2022 alleging violations of provisions of the SEBI Act, PFUTP Regulations and LODR Regulations as well as listing agreement. Subsequently, a corrigendum to the SCN was also issued to the Noticees on March 12, 2025.

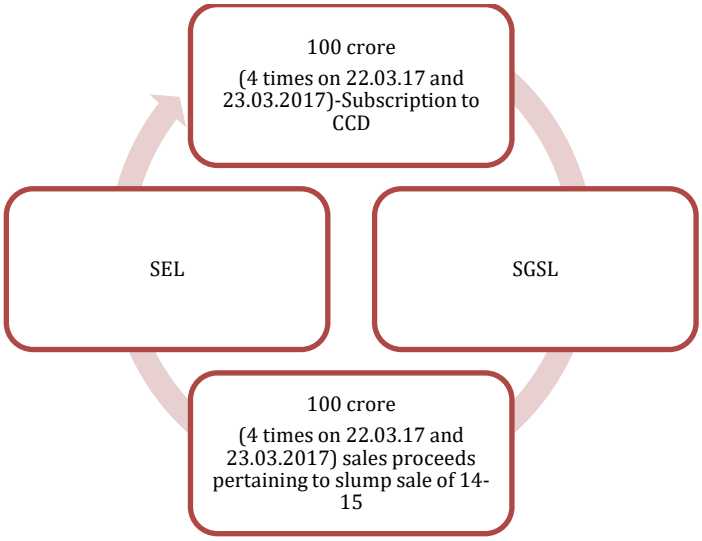
B. ALLEGATIONS IN SCN ISSUED BY AO

4. The SCN read with the corrigendum to the SCN issued by the AO alleged the following against the Noticees:

4.1 Transfer/demerger of Operation & Maintenance Business (OMS) from SEL to Suzlon Global Services Limited (SGSL) – Slump Sale leading to misstatement of financials and inflated net worth

4.1.1 SEL on March 29, 2014 had sold its OMS business, worth Rs.77.08 crore to one of its subsidiaries viz. SGSL (a wholly-owned subsidiary of Noticee 1) as slump sale for a lump-sum consideration of Rs.2,000 crore. The gain on sale of the division aggregating to Rs.1,922.92 crore had been shown under exceptional items in FY 2013-14. It was further observed that Noticee 1 did not obtain the proceeds within 90 days from the said sale and had received part of the sale consideration of Rs.700 crore in its bank accounts during the period FY 2014-15 to 2016-17. As regards remaining Rs 1300 crore, on March 21, 2017, Rs.150 crore were routed through bank accounts of SGSL and Noticee 1 six times to show the receipt of the sale proceeds to the extent of Rs.900 crore. Similarly, on March 22, 2017 and March 23, 2017, Rs.100 crore were routed four times to show the receipt of Rs.400 crore as the balance sale consideration. Hence, it was alleged that the circuitous entries worth Rs.1,300 crore had led to misstatement in the standalone and consolidated Financial Statements.





4.1.2 It was further observed that as on March 31, 2013, SGSL had total assets, reserves and turnover of Rs.0.04 crore, Rs.0.31 crore and Nil respectively. The said figures were Rs.2,330.55 crore, Rs.0.05 crore and Nil respectively for the FY 2013-14. It was observed that total assets of Rs.2,330.55 crore included assets of Rs.2,000 crore received through OMS business purchased from Noticee 1 on March 29, 2014.

4.1.3 It was further observed that subsequently during FY 2015-16, entire equity stake in SGSL held by Noticee 1 was transferred to its another wholly owned subsidiary viz. Suzlon Structures Limited (**SSL**) for consideration of Rs.927.83 crores. The transfer resulted into gain of Rs.829.78 crore for Noticee 1. In this regard, it was observed that Noticeee 1 had already booked profit of Rs.1,922.92 crore on the transfer of OMS business to SGSL during FY 2013-14 and booked additional profit of Rs.829.78 crore during FY 2015-16 on the same set of assets as stake in SGSL was transferred to SSL, which was another wholly-owned subsidiary of Noticee 1. Hence, it was observed that on the OMS business worth Rs.77.08 crore, artificial profit of Rs.1,922.92 crore and Rs.829.78 crore was created in FY 13-14 and FY15-16 respectively.

4.1.4 It was further observed that in FY 2015-16, the net worth of Noticee-1 was Rs.615.18 crore. Without the said additional profit of Rs.829.78 crore, which was artificially generated through the stake sale, net worth of Noticee 1 for FY 2015-16 would have been negative Rs.214.60 crore.

4.1.5 From the aforesaid, it was alleged that Noticee 1 had inflated its net worth twice by inflating valuation of same set of assets i.e. Rs.1,922.92 crore during FY 2013-14 and Rs.829.78 crore during FY 2015-16. It was further alleged that SGSL did not have any capability or funds to generate cash flow of Rs.2,000 crore within 90 days from date of transaction, and the transaction was executed to artificially inflate net worth since Noticee 1 had received only Rs.312 crore from SGSL during FY 2014-15 and a total of only Rs.700 crore in its bank accounts during the period FY2014-15 to 2016-17.

4.1.6 It was observed that OMS sale resulted in an inflated profit of Rs.1922.92 crore in the financial statements for FY 2013-14 on standalone basis and consolidated basis. It was further observed that net loss for the said year was Rs.924.47 crore. Had this slump

sale not been effected during the year then the loss would have had widened further to Rs.2847.39 crore. Similarly, the net worth of Noticee 1 was shown as Rs.2,663.96 crore, whereas its net worth would have been Rs.741.04 crore without the said transaction.

4.1.7 It was observed that Noticee 1 had impaired assets to the tune of Rs.6026 crore in the FY 2014-15, which had further eroded the net worth during FY 2014-15. Noticee 1 had to bring in additional equity investment of Rs.1800 crore to keep its net worth positive. Had this slump sale not been done, its net worth would have gone down to negative Rs.3,555.92 crore in FY 14-15. The net worth of Noticee 1 would have been negative Rs.1,755.92 crore in place of Rs.167 crore positive net worth even after giving effect to share capital infusion, which would have impacted its valuation and prevented it from booking premium in the subsequent issues, including loan restructuring.

4.1.8 It was also observed that the net loss of Noticee 1 got further widened to Rs.1,663.12 crore during next year i.e. FY 2014-15. Further, Noticee 1 had issued 1,21,95,69,014 shares during FY 2014-15, and had raised Rs.1,882 crore including share premium of Rs.1,638 crore. The total premium received was 87% of total proceeds and nominal value was only 13%, i.e. shares were issued at a premium of 6.71 times of nominal value of shares.

4.1.9 Hence, it was alleged that slump sale was a transaction intended to create artificial profit, enhance the net worth of Noticee 1, prior to the major impairment that was in the pipeline and the valuation artificially created out of the OMS sale was further used in FY2015-16 to book additional profit of Rs.829.78 crore through a stake sale transaction with a wholly owned subsidiary. It was further alleged that the aforesaid transactions carried out during the period from FY 2013-14 to 2016-17 had led to misstatement in the standalone and consolidated Financial Statements and enabled Noticee 1 to raise

funds by issuing equity shares based on its inflated net worth. Those issuance of shares included shares issued to one Mr. Dilip Shanghvi Family & Associates (Rs.1800 crore) in 2014-15 and banks as part of loan restructuring (Rs.393 crore).

4.1.10 From the aforesaid, it was alleged that Noticee 1 had executed transactions amounting to misrepresentation of its accounts/ financials statement. It was further alleged that Noticee 1 had failed to present true and fair financial statements, which misled the investors and induced to invest at huge premium on sale of shares by it.

4.1.11 It was further alleged that Noticee 1 had knowingly published /caused to publish financial results, financial statements, which it knew to be understating its loss and had disseminated those misleading financial statements to securities market investors. Had the real financial position of Noticee 1 not been withheld in the published financial statements, it was likely to have influenced the decision of investors dealing in securities.

4.2 Contingent liabilities w.r.t Stand-by Letter of Credit (SBLC) issued by State Bank of India (SBI), which secured loan credit facility availed by AE Rotor Holding B.V. (AERH) and contingent liability of USD 569.40 million as on 31st March, 2018 not shown in the Annual Report for FY 2017-18

4.2.1 It was observed that liability with respect to SBLC availed and securities provided to secure loans availed by AERH - a wholly owned subsidiary of SEL, which included SBLC issued by SBI, vide which loan credit facility availed by AERH was secured, had been mentioned by Noticee 1 under Contingent liabilities in the annual report for FY 2016-17. However, it was observed that in the annual report for FY 2017-18, the same liability was disclosed under Notes

to financial statements by treating the said SBLC as “Insurance Contract” under IndAS 104. Accordingly, though contingent liability of USD 569.40 million, equivalent to approximately Rs.4,050 crore with respect to SBLC had been shown by Noticee 1 till March 31, 2017, the same was not shown in FY 2017-18, despite no changes in the terms of the said SBLC.

4.2.2 From the above, it was observed that IndAS 104 is applicable where two parties are involved in an insurance contract viz. an insurer and a policyholder, whereas in the instant case, there were more than two parties viz. 1. Noticee 1 together with its three Indian subsidiaries and a joint venture; 2. Lenders; and 3. AERH. Noticee 1 together with its three Indian subsidiaries and a joint venture were obligors to lenders and had given security in connection with loan availed by AERH. In case of an event of default on payment by AERH, Noticee 1 had agreed to make payment to lenders. Subsequently, while providing the status of the said SBLC, it was observed that Noticee 1 had stated in its reply dated March 17, 2022 as, “*The SBLC was invoked during the month of October 2019. Pursuant to the invocation of SBLC, SBI had made payment of the dues to the Lenders of AERH. SBI and other Lenders have consequently treated the same as loan receivable from the Company*.”

4.2.3 Hence, it was alleged that the said chain of events was in the nature of a financial guarantee wherein SBLC was invoked and payment was made by SBI, which in turn was to receive from Noticee 1, being guarantor for the said loan given to AERH. In view of the same, it was alleged that IndAS 104 was not applicable for said SBLC arrangement between Noticee 1 and lenders.

4.2.4 Thus, the accounting treatment by Noticee 1 by non-provisioning of SBLC, was allegedly not found to be in accordance with the applicable and notified Accounting Standard - IndAS 37.

4.3 Investments made in and loans given to SE Forge Limited

Reversal of impairment and further impairment

4.3.1 It was observed that SEL had impaired the investment worth Rs.566 crore in SE Forge limited (**SEFL**) – a wholly owned subsidiary of SEL, in FY 2013-14. Subsequently, it had reversed the impairment of its investments in SEFL in FY 2014-15. However, investment was again impaired in FY 2018-19. Hence, it was alleged that the reversal of previous impairment in 2014-15 and the subsequent impairment in FY 18-19 resulted in overstating the financials of FY 2014-15, by Rs.556 crore.

4.3.2 It was further observed that the total value of the investments in SEFL by Noticee 1 was at ₹Rs.1,044 crore as on March 31, 2016. In FY 2018-2019, the management of Noticee 1 had carried out a valuation of the investments in SEFL. It was observed from the Forensic Audit Report (**FAR**) that as per the valuation report submitted by M/s Hasmukh Shah & Co, LLP, the value of the equity investments of Noticee 1 in SEFL was valued at ₹Rs.490 crore as on March 31, 2019 and hence the investment was impaired to the extent of Rs.560 crore in the FY 2018-19. In FY 2019-20, as per valuation report submitted by Ms. Milan Rupchandani on June 20, 2020, the revised fair value of these investments of Noticee 1 in SEFL was Rs.291.13 crore. Hence, an additional amount of Rs.194.27 crore was impaired as on March 31, 2020.

Loans to SEFL, immediate repayments, write offs and conversion into equity

4.3.3 It was further observed that on March 31, 2015, Noticee 1 had infused Rs.150 crore equity into SEFL of which Rs.128 crore were immediately returned as repayment of loans and were written off. The capital infusion of Rs.328 crore done in 2015-16 also followed

the same pattern and were subsequently written off. In this regard, it was further observed that the circuitous entries worth Rs.328 crore were routed multiple times between Noticee 1 and SEFL without any net inflow for Noticee 1 for the said loan provided to SEFL and only books entries are carried out to convert the said loan into equity. The said equity investment was subsequently impaired during FY 2018-19 and FY 2019-20.

4.4 Investment made in and loans given to Suzlon Gujarat Wind Park Limited

4.4.1 It was observed that the total investments by SEL in its wholly owned subsidiary Suzlon Gujarat Wind Park Limited (**SGWP**L) through equity and Preferential share capital was Rs.245.92 crore. During FY 2015-16, fresh infusion of equity worth Rs.1200 crore was made by Noticee 1 in SGWPL.

4.4.2 It was further observed that the funds so received were returned by SGWPL to Noticee 1 and adjusted against the outstanding loans. The fresh investments and repayments of Rs.1200 crore were made through circuitous transactions in the bank accounts of SGWPL and Noticee 1. The payments were made through sixteen circular entries of debits and credits on the same day in the bank accounts of Noticee 1 and SGWPL on March 19, 2016. The said sixteen circular entries of Rs.75 crore each amounting to Rs.1200 crore were considered as equity infusion in the books of accounts of Noticee 1. The credits from SGWPL in the bank accounts of Noticee 1 were considered as repayment of the outstanding loans receivable from SGWPL. Through these transactions, the outstanding loans receivable from SGWPL were reduced and the investments were increased, thus resulting in converting loans into equity. However, there were no net cash inflows or outflows from Noticee 1 or SGWPL. These investments of Rs.1200 crore were non-existent due to circular entry

as stated above. It was further observed that these equity holdings worth Rs.1200 crore were sold to another wholly owned subsidiary i.e. Suzlon Power Infrastructure Limited (**SPIL**) at Rs.191.60 crore at a loss of Rs.1054 crore on March 29, 2016. SPIL discharged the sale consideration to Noticee 1 through issue of fresh share capital to Noticee 1 worth Rs.191.60 crore (share swap). Hence, it was observed that no funds were used in sale of holdings in SGWPL to SPIL.

4.4.3 Hence, it was alleged that investments of Rs.1200 crore were non-existent due to circular entry as stated above. Further, these investments of Rs.1200 crore were sold away at a loss of Rs.1054 crore in the same financial year.

4.4.4 It was observed that as per Ind AS 1, the objective of Financial Statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making investment and other financial/business decisions, whereas in the present case, there were no cash flows but Noticee 1 had booked huge losses due to circuitous entries and hence, it was alleged that it had misled the users of the Financial Statements as the investments of Rs.1200 crore through circuitous bank entries had inflated the net worth of SGWPL and had effect on the consolidated Audited Balance Sheet of Noticee 1.

5. Based on the above, Noticees were alleged to have violated the following:

i) Section 12A(a), (b) and (c) of SEBI Act; Regulation 3(b), (c) and (d) and Regulation 4(2) (f) and (r) r/w 2(1)(b) and 2 (1)(c) (1) of PFUTP Regulations; Regulations 4(1)(a), 4(1)(b), 4(1)(e), 17(8) r/w Part B of Schedule II and 48 of LODR Regulations (for FY 2015-16 onwards); and Clause 41(I)(a) and para V of Clause 49 of the erstwhile Listing Agreement r/w Section 21 of SCRA for the FY 2013-14 by Noticee 1.

ii) Section 12A(a), (b) and (c) of the SEBI Act; Regulations 4(2) (f) and (r) r/w 2(1)(b) and 2(1)(c)(1) of PFUTP Regulations; Clause 41(I)(a) of the erstwhile Listing Agreement r/w Section 21 of SCRA for the period FY 2013-14; and Regulations 4(1)(a), 4(1)(b), 4(1)(e) and 48 of LODR Regulations r/w Section 27(2) of SEBI Act by Noticee 2-3.

iii) Section 12A(a), (b) and (c) of SEBI Act; Regulation 3(b), (c) and (d), 4(2) (f) and (r) r/w 2(1)(b) and 2(1)(c)(1) of PFUTP Regulations and Para V of Clause 49 of the erstwhile Listing Agreement r/w Section 21 of SCRA for the period FY 2015-16 and 17(8) r/w Part B of Schedule II of LODR Regulations for the period FY 2017-18; and Regulations 4(1)(a), 4(1)(b), 4(1)(e) and 48 of LODR Regulations r/w Section 27(2) of SEBI Act by Noticee 4.

iv) Section 12A(a), (b) and (c) of the SEBI Act; Regulation 3(b), (c) and (d), 4(2) (f) and (r) r/w 2(1)(b) and 2(1)(c)(1) of PFUTP Regulations r/w Section 27(2) of SEBI Act and Para V of Clause 49 of the erstwhile Listing Agreement r/w Section 21 of SCRA for the period FY 2013-14 by Noticee 5.

6. Subsequent to the issuance of the SCN, the Noticees submitted reply dated December 26, 2022 and also filed for settlement in the matter. However, their settlement application was rejected and was conveyed to the Noticees, vide SEBI letter dated November 27, 2024. Pursuant to the same, the adjudication proceedings were revived and a corrigendum to the SCN dated March 12, 2025, was issued to the Noticees, vide which change in the applicable provision from Section 23E of SCRA to Section 23H of SCRA was conveyed to the Noticees. Subsequently, the Noticees filed their reply on April 17, 2025. The Noticees availed the opportunity of hearing and made written submissions on May 30, 2025 before the AO denying the violations as alleged in the SCN against them. After conducting an inquiry into the alleged violations by the Noticees, AO passed an order dated June 27, 2025, vide which AO dropped the proceedings against one Noticee therein, Mr. Tulsi R.

Tanti on account of his death and exonerated the remaining 5 Noticees on merit.

C. FINDINGS OF AO:

i) Transfer of OMS business by slump sale to SGSL

7. The AO recorded that Noticee 1 was engaged in manufacture and supply of Wind Turbine Generators (**WTG**) and components, SGSL was engaged in operation and maintenance of WTGs, SSL was engaged in manufacturing of towers, and Senvion SE (**Senvion**), being a German subsidiary of SEL, was engaged in manufacture and distribution of wind energy turbines. The AO further recorded, from the Board minutes of SEL dated February 14, 2014, that the OMS business was proposed to be carved out by sale to a subsidiary for effective management, consistent with the global practice of housing operation and maintenance services separately from the parent company. It was also noted that the said minutes referred to organisation of the OMS vertical under a separate subsidiary with segmented service portfolio and separate management team so as to independently focus on growth and track financial performance. The AO accordingly noted the transfer as part of an internal restructuring plan. The AO also recorded that a Non-Disclosure Agreement dated January 23, 2014 had been executed between Senvion and Noticee 1 for sale of the OMS business, but the same did not materialize. Subsequently, it was decided to sell the OMS business to SGSL, a wholly owned subsidiary, and that a disclosure dated February 14, 2014 was made to the stock exchanges regarding the decision to sell the OMS business to one of its subsidiaries. The AO further recorded that SEL's Board approval dated February 14, 2014 and shareholder approval dated March 27, 2014 had been obtained for effecting the slump sale; that the valuation of Rs.2,000 crore was based on the valuation report of Grant Thornton; that Grant Thornton had arrived at a value range of Rs.2,000.9 crore to Rs.2,428.1 crore

as on December 31, 2013; that on March 28, 2014 the Board approved transfer of the OMS division to SGSL for lump sum consideration of Rs. 2,000 crore in line with the said valuation; and that a slump sale agreement dated March 28, 2014 was executed, followed by transfer of the OMS business on March 29, 2014. On that basis, the AO observed the valuation as not being random, but was founded on an independent expert valuation, with the decision having been approved by the Board and disseminated to the stock exchanges.

8. While dealing with the allegation regarding payment of the OMS sale consideration through circuitous entries, the AO recorded from the slump sale agreement dated March 28, 2014 and the agreement dated June 30, 2014 that SGSL was required to discharge the sale consideration of Rs.2,000 crore within 90 days, failing which interest at 11% was leviable. The AO further noted, with reference to the FAR, that Noticee 1 had received Rs.700 crore from SGSL during the period from FY 2014-15 to December 2016 through several transactions verified from bank statements, and that an amount of Rs.1,300 crore remained outstanding. The AO then noted the explanation of Noticee 1 that, out of funds available within the Suzlon group, SEL had subscribed to Compulsorily Convertible Debentures ("**CCD**") of SGSL aggregating Rs.400 crore and had extended loans aggregating Rs.900 crore. The AO recorded from the FAR that the loan component of Rs.900 crore was disbursed to SGSL in six entries of Rs.150 crore each on March 21, 2017, and that the CCD subscription amount of Rs.400 crore was credited in three entries of Rs.100 crore on March 22, 2017 and one entry of Rs.100 crore on March 23, 2017, and further recorded that the said entries were immediately reversed by SGSL on the same dates. The AO also recorded from the annual report of Noticee 1 for FY 2016-17 that the CCDs and Inter-Corporate Deposit ("**ICD"**) given to SGSL were disclosed under related party transactions, and from Note 15 to SGSL's financial statements for the year ended March 31, 2017 that Rs.1,344.39 crore was reflected as current loans and advances.

9. The AO accordingly recorded that Rs. 1,300 crore disbursed in the form of CCDs and loans by Noticee 1 to SGSL was utilised by SGSL in paying the remaining sale consideration of the OMS business and that the said transactions had no effect on the consolidated statement of Noticee 1. The AO also recorded that there was no provision in the Companies Act or the LODR Regulations barring grant of loans by a parent company to its subsidiary or repayment in multiple tranches, and that Accounting Standard 1 did not prohibit parties from settling accounts in multiple tranches. In this context, AO noted the transaction as conversion of the short-term liability of SGSL towards sale consideration into long-term loans in the form of CCDs and ICD. The AO additionally recorded that SGSL had paid Rs. 700 crore through operating cash flows generated over a period of time and that the said amount was utilised by Noticee 1 for debt servicing and meeting expenses, and also noticed disclosure of the transactions with SGSL as related party transactions in the annual report for FY 2016-17.

10. As regards the allegation concerning sale of the equity stake of Noticee 1 in SGSL to SSL for consideration of Rs. 927.83 crore resulting in a gain of Rs. 829.78 crore, the AO recorded the explanation that SSL, though a wholly owned subsidiary, had positive net worth, long business history, profit track record and was considered capable of making listing successful with better valuations. The AO further recorded from the Board resolution dated March 29, 2016 of SEL that divestment of the entire investment in SGSL to SSL on or before March 31, 2016 was approved at a price of Rs.94.63 per equity share, being the value determined by Grant Thornton, through issue of shares of SSL of Rs. 10 each at a premium of Rs.917.83 per share. The AO also recorded from the resolution dated March 29, 2016 passed by SSL that, in terms of shareholder approval obtained at the Extra Ordinary General Meeting held on January 11, 2016 and Board approval dated January 28, 2016, SSL would acquire the equity shareholding of SGSL and discharge the

consideration by issue of fresh equity shares to Noticee 1 and certain other entities, with the purchase value having been determined by an independent valuer at Rs. 94.63 per equity share of SGSL. The AO further recorded the disclosure dated March 29, 2016 made by Noticee 1 to the stock exchanges stating that the OMS business had earlier been separated from SEL for strategic and operational focus and that, with a view to rationalise the OMS business and optimise future fund raise or capital raise activities, the transfer to SSL had been approved. The AO also recorded from page 32 of Grant Thornton's valuation report dated March 28, 2016 that the fair value of the equity of SGSL under the Discounted Cash Flow (**DCF**) method at Rs. 9,467.7 million (equivalent to approximately Rs.946.77 crore). On that basis, the AO viewed the transaction as one undertaken with Board and shareholder approvals, founded on independent valuation and accompanied by stock exchange disclosure.

Treatment of SBLC / AERH liability in the financial statements

11. While examining the allegation relating to non-disclosure of the liability arising from the SBLC issued for the credit facility availed by AE Rotor Holding B.V., the AO recorded that where a liability is covered under a specific accounting standard, the same is required to be accounted for under that standard, and that in the instant case, the SBLC, being a financial guarantee, was covered under Ind AS 109. The AO accordingly recorded that the liability was not required to be disclosed either as contingent liability or as insurance contract, but ought to have been accounted for under Ind AS 109. At the same time, the AO recorded that Noticee 1 had disclosed the said liability as contingent liability for FY 2016-17 and had also referred to it in Note 6 to the standalone financial statements for that year, and further in FY 2017-18 the same liability was disclosed in Note 3 to the standalone financial statements as an insurance contract under Ind AS 104. The AO thus noted the matter as one where the liability had been disclosed in both years, albeit not under the

appropriate accounting standard. The AO, therefore, treated the issue as one concerning the head of disclosure and classification rather than absence of disclosure. Since adequate disclosures were made to the investors, the AO took a lenient view on the issue.

Investments made in and loans given to SEFL

12. In relation to SEFL, the AO, noted that, due to the incapability of SEFL management to source funds, Noticee 1 had impaired its investment in SEFL in FY 2014-15 and that the impairments and reversals were in compliance with applicable accounting standards and backed by independent valuation as and when such impairments were made or reversed.

13. The AO further recorded, with regard to the allegation concerning infusion of Rs.150 crore and write-off of Rs.128 crore returned by SEFL, that the audited financial statements of SEFL for FY 2016-17 to FY 2018-19 reflected significant reduction in revenue and EBITDA, namely revenue of Rs. 491 crore, Rs.360 crore and Rs.357 crore respectively, and EBITDA of Rs. 151 crore, Rs.70 crore and Rs.39 crore respectively, with EBITDA margins reducing from 31% to 20% and then 11%, which was noticed in the context of the explanation provided by Noticees that the wind industry worldwide was facing challenges. The AO then recorded the explanation that, as SEFL needed additional funds to meet its business operations and debt servicing, Noticee 1 had infused Rs.150 crore and thereafter Rs.328 crore into SEFL, and further recorded from the FAR that SEFL had returned Rs.128 crore to Noticee 1 after receipt of funds, and that the amount of Rs.328 crore was also returned after the infusion. The AO also noted that the infusion of capital in SEFL was duly authorised by the Board, approved by the shareholders, and disclosed to the stock exchanges, and further that the annual report of Noticee 1 for FY 2015-16 disclosed purchase of equity shares of SEFL to the extent of Rs.328 crore.

14. The AO additionally recorded that if the loans and advances were not converted into equity, ICDs amounting to Rs.355 crore would have continued as loans to the subsidiary and interest would have been charged on the same as income in the books of Noticee 1; that there was no effect on impairment of loans or investments; and that the conversion had resulted in improved net worth and debt-to-equity ratio, without fresh borrowings having been made on the strength of those improved financials. The AO accordingly noted that the FAR had not concluded violation of any accounting standard or LODR provision on account of the conversion of loans into equity, and further recorded that there was no law barring such conversion, particularly when the transactions were with a wholly owned subsidiary and had no effect on the consolidated statement.

Investments made in and loans given to SGWPL, and subsequent sale to SPIL

15. As regards SGWPL, the AO recorded, while dealing with the allegation of equity infusion of Rs.1,200 crore and the return/adjustment of such funds through sixteen entries of Rs.75 crore each, that the mechanism of lending by a parent company and subsequent repayment by a subsidiary was not barred under any law and represented a management decision. The AO further recorded the explanation provided by Noticees that, from FY 2012 to FY 2016, SEL had provided temporary loans to support SGWPL's operational requirements; that in FY 2015-16 the working capital requirement of SGWPL had increased and there was no near-term visibility of repayment; and that SEL therefore invested Rs.1,200 crore on March 19, 2016. The AO noted from page 113 of the annual report for FY 2015-16 that Noticee 1 had disclosed Rs.1,200 crore as purchase of equity shares of SGWPL, and from the cash flow statement of SGWPL for the same year that Rs.1,200 crore was reflected as amount relating to issue of equity shares under cash flow

from financing activities. The AO also recorded from page 115 of the annual report of Noticee 1 that an outstanding amount of Rs.676.35 crore as on March 31, 2016 was shown therein, and thus noticed that both Noticee 1 and SGWPL had made disclosures in their respective annual reports.

16. With regard to the subsequent allegation of sale of equity holdings worth Rs.1,200 crore to SPIL at Rs.191.60 crore, resulting in a loss of Rs.1,054 crore, the AO recorded from the Board resolution dated March 29, 2016 that the sale of equity holding in SGWPL to SPIL was for consolidation of divisions and was based on the valuation report dated March 18, 2016 of Resurgent India, which had assessed SGWPL's equity value as negative Rs.1,008.40 crore. The AO, thus, noted that the value of Rs.191.60 crore was based on an expert independent valuer and was not determined by Noticee 1 on its own. The AO also noted the conclusion in paragraph 7.4(b) of the FAR that there were no cash flows and that Noticee 1 had booked losses due to round-tripping entries, and that the investments of Rs.1,200 crore through circuitous entries had inflated the net worth of SGWPL and affected the consolidated audited balance sheet of Noticee 1, thereby allegedly violating Ind AS 1 and Schedule II, Part B of Regulation 17(8) of the LODR Regulations. The AO, however, recorded that, while such violation had been alleged, it had not been informed how the true and fair view had not been presented despite adequate disclosures. The AO also took note of the disclosure dated March 29, 2016 made by Noticee 1 to the stock exchanges stating that the Board had approved transfer of the equity shareholding in SGWPL, a wholly owned subsidiary, to SPIL, another wholly owned subsidiary, pursuant to which SGWPL would become a wholly owned subsidiary of SPIL and continue as a step-down wholly owned subsidiary of the company. The AO further recorded that the transactions were effected with Board approvals dated March 29, 2016 of both Noticee 1 and SPIL and that disclosures dated March 29, 2016 were made to NSE and BSE. The AO also observed that the mechanism of converting loans into equity and repayment of borrowings by

a subsidiary to its parent company was not barred under law and had been undertaken with Board approval and dissemination to stakeholders.

Overall position as recorded by the AO

17. The AO referred to the certificate dated March 21, 2024 issued by SARC & Associates and noted that no non-compliance in connection with the alleged transactions in the standalone financial statements for the relevant financial years had been observed. The AO also recorded that the actions of the company and its management had been taken after due approvals and that adequate disclosures had been made to shareholders so as to enable investors to take informed decisions regarding their investments. It was in that backdrop that the AO referred to the decisions in D-Link (India) Limited v. SEBI and S.A. Builders Ltd. Vs. Commissioner of Income Tax while noting the principle that a regulator or authority does not ordinarily substitute its own view for commercial business decisions, so long as such decisions are taken with requisite approvals and disclosures and do not prejudicially affect the securities market.

D. SCN ISSUED UNDER SECTION 15-I(3) OF THE SEBI ACT AND SECTION 23-I(3) OF THE SCRA

18. Subsequently, SEBI, upon calling for and examining the records of the abovementioned adjudication proceedings observed that the adjudication order, in as much as not holding the Noticees liable for the abovementioned alleged violations and not imposing penalties, was erroneous to the extent it was not in the interests of the securities market.

19. Pursuant thereto, a SCN dated September 26, 2025 was issued to the Noticees calling upon them to show cause as to why the AO order dated June 27, 2025 should not be examined under Section 15-I (3) of the SEBI Act and

Section 23-I(3) of SCRA and why appropriate penalty under Sections 15HA and 15HB of SEBI Act, 1992 read with SEBI (Procedure for Holding Inquiry and Imposition of Penalties) Rules, 1995 (**SEBI Inquiry Rules**) and Section 23E of SCRA, 1956 read with Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (**SCR Inquiry Rules**) should not be imposed for the alleged violations.

20. Subsequent to issuance of the SCN dated September 26, 2025, the Noticees sought inspection of documents. The inspection was completed on December 10, 2025. Thereafter, the Noticees filed their reply vide email dated February 02, 2026.

21. The Noticees were thereafter granted an opportunity of personal hearing. The hearing, which was initially scheduled for March 06, 2026 and thereafter rescheduled to March 09, 2026, was finally held on April 07, 2026, pursuant to the request of the Noticees. During the hearing, the authorised representatives of the Noticees made submissions in line with their reply dated February 02, 2026. Further, the Noticees were advised to submit the following documents:

a) All notices, explanatory statements (if any) and any other communications issued to the shareholders of SEL in connection with obtaining approval for the sale of the OMS business to Senvion and SGSL; and
b) All communications exchanged between SEL, SGSL and Senvion with regard to the abovementioned sale of OMS business.

22. Pursuant to the hearing, the Noticees filed written submissions dated April 23, 2026. Thereafter, certain additional documents referred to in their submissions/replies were sought from the Noticees i.e. the Master Restructuring Agreement (**MRA**) dated March 28, 2013, the slump sale agreement dated March 28, 2014 and the agreement dated June 30, 2014

between SEL and SGSL. The Noticees furnished the said documents vide email dated May 12, 2026.

CONSIDERATION AND FINDINGS

23. I have considered the SCN dated November 09, 2022, corrigendum to the SCN dated March 12, 2025, AO Order dated June 27, 2025, the material available on record, and the replies/submissions filed by the Noticees. The same include the reply dated December 26, 2022, additional reply dated April 17, 2025 and written submissions dated May 30, 2025 filed during the adjudication proceedings, which have also been adopted and relied upon by the Noticees in the present proceedings. I have also considered the present SCN dated September 26, 2025, the reply dated February 02, 2026 filed in response to the present SCN, oral submissions made during the hearing, the written submissions dated April 23, 2026 and the documents furnished by the Noticees vide email dated May 12, 2026.

E. PRELIMINARY ISSUES RAISED BY THE NOTICEES AND FINDINGS

24. The Noticees have raised certain preliminary objections with regard to the maintainability of the present proceedings initiated under Section 15-I(3) of the SEBI Act and 23-I(3) of the SCRA. Before proceeding further, I record my finding with respect to the same as follows:

a) Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA are inapplicable in the present case as both provisions permit only the "enhancement" of monetary penalties imposed by the AO.

25. The principal contention of the Noticees is that the said provisions can be invoked only for enhancement of penalty and not in cases where the AO has exonerated the Noticees. It is further contended that the use of the expression

"enhance" in the provision presupposes the existence of a penalty and, therefore, in the absence of any penalty, the provision cannot be invoked. The Noticees have also referred to the decision of the Hon'ble Securities Appellate Tribunal ("**SAT"**) **in Samco Securities Limited**[1] while contending that the said interpretation has not been examined or affirmed by the Hon'ble Supreme Court. They have further relied upon **Food Corporation of India Vs. Commissioner of Sales Tax, Madhya Pradesh**[2] to contend that the power to "enhance" penalty can operate only where a penalty has already been imposed.

26. At the outset, it is noted that Section 15-I(3) of the SEBI Act empowers the Board to call for and examine the record of any adjudication proceedings and pass such order as it deems fit, if the order passed by the AO is erroneous to the extent that it is not in the interest of the securities market. The statutory condition for exercise of this power is, therefore, the existence of an order which is erroneous to the extent that it is not in the interests of the securities market. The provision, in its scheme and structure, does not condition the exercise of such power on the existence of a penalty already imposed, but rather on the correctness of the adjudication order and its impact on the securities market.

27. The contention of the Noticees proceeds on a narrow reading of the expression "*enhance*" detached from the context and object of the provision. The power to enhance penalty is only a consequence of the Board arriving at a finding that the adjudication order suffers from error to the extent that it is not in the interest of the securities market. It cannot be read as limiting the jurisdiction of the Board only to cases where a penalty has already been imposed. If such an interpretation were to be accepted, it would lead to an anomalous and unintended result whereby an adjudication order imposing a

[1] Appeal No. 493 of 2021, decided on March 30, 2022.
[2] AIR 1999 SC 545.

nominal or inadequate penalty could be subjected to revision, but an order which is wholly erroneous and results in complete exoneration would remain immune from scrutiny. Such an interpretation would defeat the very purpose of conferring revisionary jurisdiction on the Board.

28. In this regard, reliance is placed on the decision of the Hon'ble SAT in the matter of **Samco Securities Limited**[3]. The Hon'ble SAT in the said matter, while analyzing Section 23-I(3) of the SCRA, which is analogous to Section 15-I(3) of SEBI Act, held as under:

"...11. It was urged that the provision of Section 23I of the SCR Act can only be invoked when a lesser penalty is to be enhanced. It was contended that, in the instant case, a finding has been given that no violation has been committed by the appellant and, therefore, no penalty could be imposed. It was, thus, contended that in the absence of any penalty being imposed, the question of enhancement of the penalty does not arise and consequently Section 23I of the SCR Act could not be invoked. In our view, this interpretation made by the appellant is patently erroneous. Section 23I of the SCR Act empowers SEBI to call for and examine the record of any proceedings and if it considers that the order is erroneous, it can issue a notice. The word 'erroneous' would include an order where the authority has found that there was no violation of the SEBI laws. On this principle, if the authority has not imposed any penalty and if the order is found to be erroneous, it can be reexamined and can be opened under Section 23I of the SCR Act and an appropriate order of penalty, if any, could be passed if found to have violated the SEBI's laws. The submission that Section 23I of the SCR Act could only be used to enhance the penalty where a lesser penalty was imposed is erroneous…" (emphasis supplied)

[3] *Supra* note 1.

29. Further, the Hon'ble Madras High Court in **Bhavani Mills Limited vs. State of Tamil Nadu**[4] while dealing with a similar contention with respect to an appeal filed under Section 36 (3) of the Tamil Nadu General Sales Tax Act, 1959, has held as under-

"In the instant case we are satisfied that the word "enhance" is wide enough to enhance the penalty from zero to something. In the present case, the Revenue had filed the enhancement petition to impose penalty which the appellate authority had omitted to impose. We are satisfied that the word "enhance" is sufficient enough to enable the Tribunal to impose the penalty which was not imposed by the appellate authority."

30. Accordingly, in light of the aforesaid decisions, the submission of the Noticees that Section 15-I(3) of SEBI Act and Section 23-I(3) of SCRA cannot be invoked where no penalty has been imposed upon an entity does not hold merit.

31. Further, the submission of the Noticees that the aforesaid interpretation cannot be relied upon on the ground that it has not been tested before the Hon'ble Supreme Court is also not tenable. The Hon'ble SAT is the statutory appellate Tribunal under the SEBI Act. The mere possibility of a challenge to such decision does not dilute its binding nature or render the legal position unsettled. In the absence of any contrary judgment of the Hon'ble Supreme Court, the interpretation adopted by the Hon'ble SAT continues to hold the field and is required to be followed.

32. I have also considered the reliance placed by the Noticees on **Food Corporation of India v. Commissioner of Sales Tax, Madhya Pradesh**[5] The said decision, as relied upon by the Noticees, arose in the context of

[4] (1991) SCC online Madras 730
[5] *Supra* note 2.

Section 38(5) of the Madhya Pradesh General Sales Tax Act, 1958 and the appellate power to confirm, reduce, enhance or annul penalty. The present proceedings, however, arise under Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA, which specifically empower the Board to call for and examine the record of adjudication proceedings where the order of the AO is found to be erroneous to the extent it is not in the interests of the securities market. In the securities law context, the scope of Section 23-I(3) of the SCRA has been directly considered by the Hon'ble SAT in the matter of **Samco Securities Limited**[6]. Therefore, the reliance placed on the aforesaid decision does not warrant a departure from the interpretation adopted by the Hon'ble SAT while interpreting the very provision arising for consideration in the present proceedings.

33. It is noted that the nature of power under Section 15-I(3) of the SEBI Act is revisionary and supervisory in character. The provision is intended to ensure that adjudication orders do not suffer from non-consideration of material facts, misapplication of law or an approach which undermines the regulatory objective of protecting the integrity of the securities market. The focus of the provision is, therefore, on the correctness and completeness of the adjudication order and not merely on the quantum of penalty imposed therein.

34. In the present case, the revision proceedings have been initiated, *inter alia,* on the ground that the adjudication order dated June 27, 2025 has not adequately examined material aspects arising from the investigation record and has confined its analysis largely to procedural considerations such as valuation reports, approvals and disclosures. The invocation of Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA in the present case is, thus, not founded merely on the absence or quantum of penalty, but on the statutory premise that the AO Order requires examination as to whether it is

[6] *Supra* note 1.

erroneous to the extent it is not aligned with the interests of the securities market.

35. In view of the above, the contention of the Noticees that Section 15-I(3) of SEBI Act and Section 23-I(3) of SCRA cannot be invoked in cases of exoneration is devoid of merit. The provision permits examination of an adjudication order even where no penalty has been imposed, provided the order is found to be erroneous to the extent that it is not in the interests of the securities market.

b) The statutory conditions contained in Section 15-I(3) of the SEBI Act and 23-I(3) of SCRA are* not *satisfied in the present case.

36. The Noticees have contended that invocation of Section 15-I(3) of SEBI Act and Section 23-I(3) of SCRA is misconceived and untenable as the conditions stipulated therein have not been met. The Noticees have argued that the AO Order was neither erroneous nor against the interest of the securities market. With regard to the above, the Noticees have submitted as follows:

i) The first step in the invocation of Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA is the satisfaction that the order of AO is erroneous to the extent it is not in the interests of the securities market.

ii) The Proposal for Revision does not even consider if the AO Order is erroneous to the extent it is not in the interests of the securities market.

iii) The words *"...not being in the interests of the securities market*" constitute a jurisdictional fact. A jurisdictional fact is a fact the existence of which vests or confers jurisdiction on the concerned authority. Since there is nothing on record to show that the AO order is erroneous to the extent, it is not in the interests of the securities market, merely saying that it is

erroneous and affects other or future cases, is not sufficient to invoke revision powers. Hence, the SCN is without jurisdiction.

iv) Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA are pari materia to Section 263 of the Income Tax Act, 1961 ("IT Act"), which empowers the commissioner to revise orders of the assessing officer that are "erroneous in so far as they are prejudicial to the interests of the revenue."

v) The reasoning in the proposal for revision that the AO Order would set an adverse precedential value, is not a valid ground for exercise of powers under section 15-I (3) of the SEBI Act and section 23-I (3) of the SCRA.

vi) The Committee of Executive Directors (**CoED**) has noted that the AO's rationale that regulators should not second guess the commercial decisions of a company was not acceptable owing to the fraudulent nature of the Transactions. The legal position is unequivocal i.e., the courts/ regulators cannot substitute their judgment for the commercial decisions of companies. Accordingly, SEBI's attempt to second guess the commercial decisions which have been entered for the larger benefit of the Company is contrary to established law.

vii) The reasons ultimately recorded by the CoED were entirely different from the grounds stated in the Proposal for Revision. Consequently, there is no meeting of minds and hence the Impugned SCN under section 15-I(3) of the SEBI Act and section 23-I (3) of the SCRA is without jurisdiction.

viii) None of the authorities of SEBI have considered the statutory requirement that the AO Order has to be erroneous to the extent it is not in the interests of the securities market for invocation of Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA.

ix) Further, the Impugned SCN does not demonstrate any actual prejudice to the securities market or loss to investors. Without such demonstration, SEBI cannot establish that the AO Order was not in the interest of securities market.

37. With regard to the above submissions, it is noted that the power under Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA is intended to enable reconsideration of an adjudication order where the same is found to be erroneous to the extent that it is not in the interest of the securities market. The said provisions cannot be construed in a narrow or pedantic manner so as to require proof of an actual quantified loss to investors or a demonstrated collapse of the market before revisionary jurisdiction can be exercised. In matters involving allegations of fraudulent, deceptive or misleading transactions affecting financial disclosures and market perception, the prejudice to the securities market is often embedded in the very nature and effect of the conduct itself.

38. In the instant matter, the allegations levelled vide the SCN issued by the AO were not confined merely to technical non-compliances or isolated accounting entries. The issues pertained to a series of interconnected transactions involving the OMS slump sale, restructuring of outstanding sale consideration through CCDs and loans, impairment and reversal of impairments, intra-group equity infusions and repayments in SEFL and SGWPL, and treatment of substantial financial exposures in the books of the listed entity. The allegation, in essence, was that these transactions collectively resulted in presentation of a financial position which did not reflect the true substance of the underlying transactions.

39. The issue, therefore, is not whether commercial decisions of a company can ordinarily be questioned by a regulator. As submitted by the Noticees, there is no dispute with the settled principle that regulators or courts do not sit in appeal over bona fide commercial wisdom of corporate entities. However, such principle cannot be elevated into a blanket defence in circumstances where the very substance and effect of the transactions are alleged to be non-genuine or misleading from the standpoint of securities market

disclosures and investor perception. Once the allegation pertains to creation of a misleading financial picture through structured intra-group transactions, the matter travels beyond the realm of mere commercial wisdom and enters the domain of regulatory scrutiny. A listed entity cannot avoid regulatory scrutiny merely by characterising a transaction as a commercial decision, if the consequence of such transaction falls within the prohibitions contained in the securities laws.

40. In the present case, the revision proceedings have been initiated not because SEBI sought to substitute its commercial judgment for that of the Noticees, but because the AO Order was prima facie found not to have adequately examined whether the impugned transactions reflected genuine financial transactions or merely resulted in internal restructuring of exposures without corresponding external value realisation.

41. The requirement under Section 15-I(3) of SEBI Act that the order be "*erroneous to the extent that it is not in the interest of the securities market*" stands satisfied in the facts of the present case. The securities market operates substantially on the basis of disclosures, financial statements and representations made by listed entities to investors and shareholders. Any approach which permits the transactions alleged to have artificially improved financial appearance of a listed entity to be treated as immune from regulatory scrutiny merely on account of procedural approvals or disclosures may dilute the regulatory objective of ensuring transparency, genuineness and integrity of market disclosures.

42. In this regard, it is noted that the Committee of Executive Directors had before it the relevant records, documents, investigation findings and the reasoning contained in the AO Order while considering the proposal for revision. The initiation of proceedings under Section 15-I(3) of the SEBI Act and Section

23-I(3) of the SCRA was therefore not mechanical or unsupported by material. The revision proceedings were initiated after consideration of the material available on record, including the findings recorded in the AO Order, and upon formation of a *prima facie* view that the said order required examination under the aforesaid provisions in the interests of the securities market.

43. The contention of the Noticees that no actual prejudice or investor loss has been demonstrated is also misplaced. In proceedings involving alleged fraudulent or misleading transactions affecting financial disclosures, prejudice to the securities market need not always manifest in the form of a quantifiable monetary loss. The integrity of disclosures and genuineness of financial reporting by listed entities constitute foundational elements of an orderly securities market. Any transaction or arrangement alleged to create a misleading financial picture has the potential to influence investor perception, valuation and market confidence, and therefore directly impacts the interests of the securities market.

44. The Noticees have further sought to draw parity between Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA on one hand, and Section 263 of the Income Tax Act, 1961 ("**IT Act**") on the other, to contend that revisionary jurisdiction can be exercised only where the order is shown to be "erroneous insofar as it is prejudicial to the interests of the revenue".

45. At the outset, it is noted that the revisionary powers under Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA arise in the context of a specialised regulatory framework governing the securities market and are required to be interpreted keeping in view the objectives of the SEBI Act and the SCRA, namely, protection of investors and preservation of integrity and transparency in the securities market. The expression "interest of the securities market" occurring in Section 15-I(3) cannot be equated with the

expression “interest of the revenue” occurring in Section 263 of the IT Act, which operates in an altogether different statutory context.

46. Further, the present proceedings arise under a self-contained securities law framework and the scope of Section 23-I(3) of the SCRA, which is analogous to Section 15-I(3) of the SEBI Act has already been examined by the Hon’ble SAT in the matter of **Samco Securities Limited**[7]. Therefore, when guidance with respect to the scope and ambit of the said provision is available within the securities law framework itself, reliance on principles evolved in tax assessment jurisprudence cannot override or dilute the judicial interpretation emerging from securities laws.

47. Accordingly, there is no merit in the contention of the Noticees that invocation of Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA is without jurisdiction or otherwise unsustainable.

c) The wrong penalty provision has been invoked in the Impugned SCN.

48. The Noticees have contended that the impugned SCN invokes an incorrect penalty provision and consequently does not make out a case for revision of the AO order as against Noticee Nos. 2 to 5.

49. At the outset, it is noted that the original SCN issued by the AO had, *inter alia,* charged the Noticees for alleged violations of the erstwhile Listing Agreement read with Section 21 of the SCRA, punishable under Section 23E of the SCRA. Subsequently, a corrigendum to the said SCN was issued whereby the penalty provision for the alleged violations of the erstwhile Listing Agreement read with Section 21 of the SCRA was modified from Section 23E to Section 23H of the SCRA. The AO thereafter proceeded with the matter upon such clarification and the AO Order was also passed in the

[7] *Supra* note 1.

backdrop of the said corrigendum. Further, the AO SCN and the AO Order formed part of the material annexed to and relied upon in the present revision proceedings.

50. Accordingly, the contention of the Noticees that the present proceedings are rendered unsustainable on account of the alleged incorrect reference to the penal provision is devoid of any merit.

d) The Impugned SCN travels beyond the scope of the Adjudication SCN by introducing a new characterisation of the transactions.

51. The Noticees have contended that the Impugned SCN travels beyond the scope of the Adjudication SCN. According to the Noticees, the Adjudication SCN did not characterise the transactions as “sham”, “contrived”, “lacking genuine economic purpose” or as transactions which were required to be stripped of commercial substance. It is their submission that by using such expressions, particularly in paragraph nos. 5.7 and 5.8 of the Impugned SCN, SEBI has introduced a new and fundamentally different case, which was neither the basis of the Adjudication SCN nor the subject matter of the AO Order.

52. In this regard, I note that the foundation of the Adjudication SCN was that the impugned transactions had resulted in misstatement/misrepresentation of financial statements, artificial inflation or distortion of net worth/financial position, and misleading presentation of the financial affairs of the listed entity. The Impugned SCN does not introduce a new transaction, new period, any new noticee or new factual foundation. It examines the same set of transactions which formed part of the Adjudication SCN and the AO Order. The expressions relied upon by the Noticees are in the nature of characterisation of the same factual allegations for the purpose of examining whether the AO Order was erroneous to the extent it was not in the interests

of the securities market. Such characterisation does not, by itself, amount to introduction of a new allegation.

F. SUMMARY OF SUBMISSIONS OF THE NOTICEES ON MERITS

53. The Noticees have, in their replies/submissions filed during the adjudication proceedings as well as in the present proceedings, *inter alia*, made the following submissions on merits. The submissions are being summarised issue-wise and are not being reproduced verbatim; however, all material submissions have been considered while recording the findings in this order:

(a) None of the impugned transactions had any effect on the consolidated financial statements. SEL appointed an independent auditor (SARC & Associates), to assess the impact of the impugned transactions on the consolidated financial statements of SEL and according to the Noticees, the said certificate concluded that the relevant transactions were eliminated at the consolidated level and that there were no non-compliances with respect to accounting and disclosure in the audited standalone financial statements.

(b) Slump sale of the OMS business by SEL to SGSL did not lead to artificially inflated net worth or any misstatement in the financial statements of SEL

(i) The sale of the OMS business was part of the asset monetisation plan. The sale was a purely business/commercial decision. It is reiterated that the monetisation of assets was at the insistence of the lenders. Suzlon Group Borrowers requested the lenders for restructuring of their outstanding obligations, and the borrowers were referred to Corporate Debt Restructuring Forum, under the aegis of the Reserve Bank of India, for the efficient restructuring of their corporate debt. Pursuant to the same a restructuring package was approved **("CDR Package").** In

view of the same, the Suzlon Group Borrowers and the lenders entered into a MRA dated March 28, 2013**,** in order to give effect to the CDR Package. Pursuant to obligations under the MRA, the Suzlon Group Borrowers were required to sell/ divest stake in key subsidiaries and/or raise fresh equity and use the proceeds to prepay debt servicing obligations and/or mandatory prepayment obligations.

(ii) The sale of the OMS business was planned to be a two-step process. The first step was to transfer the business to a Special Purpose Vehicle ("SPV") i. e., SGSL, which had a clean and debt free record to make the ultimate sale to the buyer easy and hassle free. The second step was to identify a buyer who would acquire the SPV that owned the OMS business, at a fair value.

(iii) Senvion, which according to the Noticees had sufficient financial resources, was looking to expand globally and was considering acquiring OMS business from SEL as part of its plan to go for an Initial Public Offer ("IPO") at the London Stock Exchange. Senvion could have acquired the OMS business by simply purchasing the 50,000 equity shares of SGSL held by SEL (100% of holding) and discharging SGSL's outstanding consideration of Rs. 2,000 crore to SEL for sale of the OMS business.

(iv) As regards the allegation that SEL had artificially generated profit of Rs. 1,922.92 crore on the transfer of its OMS business to SGSL, the valuation of OMS business was carried out by Grant Thornton. Using the DCF method, the valuation report provided a range of values for the OMS business of SEL. The lowest valuation being Rs. 2,000.9 crore was picked to transfer OMS business to SGSL. It follows, thus, that the profit upon transfer of OMS business is pursuant to an independent valuation carried out by Grant Thornton, which valuation report itself has not been questioned or disputed in the Impugned SCN.

(v) A slump sale agreement was also entered into between SEL and SGSL on March 28, 2014 in terms of which, the purchaser i.e., SGSL was

required to discharge the consideration of Rs. 2,000 crore to the seller i.e., SEL within a period of 90 business days from the completion date or any other date as may be mutually agreed between them. In the event, SGSL is unable to pay the lump sum cash within the time specified, the parties were to mutually decide on the way forward, including but not limited to payment of interest on the OMS business consideration.

(vi) In addition to the slump sale agreement, another agreement dated June 30, 2014, was entered into between SEL and SGSL as per which an interest of 11% p.a., was to be payable from July 01, 2014, i.e., after expiry of 90 days, till the actual date of payment of sale consideration.

(vii) SGSL paid Rs. 700 crore out of its operating revenue during the FYs 2014-15 to December 2016. For the balance sale consideration of Rs. 1,300 crore, SEL instead of being an unpaid seller decided to replace this liability with a loan liability, more long term in nature. In order to represent the outstanding amount in a more accurate manner, the outstanding sale consideration of Rs. 1,300 crore, a trade receivable, was converted into a loan receivable by issuance of ICDs and subscribing to CCDs of SGSL. The said loan transactions were duly documented and interest was charged at 11% p.a., (similar to the agreement dated June 30, 2014).

(viii) The ICDs were fully repaid by SGSL along with interest, from its operating cash flows. The amount towards CCDs i.e., Rs. 400 crore got extinguished upon merger as the entity became one and therefore, it could not hold its own instruments.

(ix) The OMS transaction was supported by independent valuation report, approvals from the board of directors and shareholders of Noticee No. I and was disclosed to stock exchanges.

(x) The price of Rs. 18.51 per share for issue of 21.54 crore equity shares to CDR lenders amounting to Rs. 398.69 crore in FY 2014-15 was determined in accordance with the CDR package approved by CDR

executive group and was already specified in the MRA dated March 28, 2013 i.e. well before sale of the OMS business by SEL in March 2014. SEL had been issuing equity shares to CDR lenders at similar issue price from April 2013 onwards. Thus, the process of issuance of the equity shares for price of Rs. 18.51 per equity share, whereby securities premium had been earned by SEL, had started prior to the OMS transaction on March 29, 2014. The price of Rs. 15.46 per share for issue of 84.84 crore equity shares to FCCB bondholders amounting to Rs. 1,311.68 crore in FY 2014-15 on conversion of the restructured bonds was determined as part of restructuring of FCCBs which was duly approved by the FCCB holders, CDR executive group and the RBI. Accordingly, the issuance of shares whereby premium was earned by SEL had nothing to do with the OMS transaction.

(xi) While the Adjudication SCN mentions at paragraph no. 3.10 that SEL had issued shares to Mr. Dilip Shanghavi Family & Associates in FY 2014-15, it is noted from the annual report of SEL for FY 2014-15 that a total of 121,95,69,014 equity shares were issued by SEL during FY 2014-15 to CDR lenders, FCCB holders and promoters. This issuance did not include shares issued to Mr. Dilip Shanghavi Family & Associates. Further, it is noted that the shares to Mr. Dilip Shanghavi Family & Associates were allotted post FY 2014-15 i.e., May 15, 2015. Without prejudice to the above, the allotment to Mr. Dilip Shanghavi Family & Associates was made pursuant to ICDR Regulations and the same was not dependent on the net worth of SEL.

(xii) Another allegation is that SEL booked profits twice on the same set of assets, i.e., the slump sale transaction and the sale of shares held by SEL in SGSL to SSL and inflated its net worth. The sale of shares to SSL was backed by board and shareholder approvals of SEL and SSL.

(xiii) It is evident that the two transactions had independent considerations. The OMS transaction in FY 2013-14 was structured

around the Senvion deal whereas the transfer of SEL's equity shareholding in SGSL to SSL in FY 2015-16 was considering SSL's suitability as a listing vehicle and compliance with SEBI regulations for retail offerings.

(xiv) Valuation report was obtained by SEL for the sale of shares held in SGSL to SSL. As per the valuation report issued by Grant Thornton, the fair value of 100% equity shares of SGSL held by SEL was Rs. 946.77 crore as on December 31, 2015. The said fair value was after deducting the outstanding sale consideration of Rs. 1,297 crore payable to SEL for purchase of the OMS business. This time the transaction took place at enterprise value of Rs. 27,048.4 Million i.e., Rs. 2,704.84 crore as against enterprise value of Rs. 2,000 crore at the time of slump sale.

(xv) Further, reference is also made to the offer letters received from Vestas Wind Systems A/S ("Vestas") and Brookfield Asset Management Inc. ("Brookfield") to show that the valuation of OMS business at Rs. 2,000 crore was not unreasonable. The offer from Vestas was dated May 07, 2019, and for an amount of Rs. 6,300 crore whereas the offer from Brookfield was dated June 19, 2018, for a sum of Rs. 7,000 crore. As may be noted from the above, the enterprise value of the OMS business offered by above referred external parties in FY 2018 and FY 2019 were substantially higher than the valuation done by Grant Thornton in FY 2014 and FY 2016.

(xvi) As regards the allegation that the OMS business was merged back into SEL, it is submitted that this fact, by itself, does not indicate that the initial transfer of the OMS business was undertaken with any intent to manipulate the financial statements. The merger took place in FY 2024-25, more than 10 years after the original slump sale of the OMS business in FY 2013-14, by which time, the group had become debt free and the commercial need to monetize OMS business had ceased.

(xvii) It is reiterated that since transactions referred to in the Impugned SCN had resulted in actual rights and obligations, and consequent flow of funds between the parties involved, the Transactions can never be treated as "sham" or "contrived".

(xviii) In Rakesh Agarwal v. SEBI, (2004) 49 SCL 351 (SAT), the SAT laid down the principle that bona fide business decisions made in the company's best interests provide a defence and can be successfully invoked against allegations of insider trading.

(c) The disclosure of SEL's liability in respect of the SBLC issued by the SBI, which secured the loan credit facility availed by AERH, a step down wholly owned subsidiary of SEL was appropriately made.

(i) From April 01, 2016, Ind AS became applicable to Indian listed companies having net worth of more than Rs. 500 crore, including SEL. Division II of Schedule III to the Companies Act, 2013 stated that guarantees excluding financial guarantees were to be shown as contingent liabilities, if not provided for. However, Ind AS 37 (Provisions, Contingent Liabilities and Contingent Assets) stated that "this Standard does not apply to financial instruments (including guarantees) that are within the scope of Ind AS 109, Financial Instruments." Further, paragraph no. 5 of Ind AS 37 also stated that it would not be applicable to insurance contracts covered under IndAS 104. SEL, taking a conservative view, chose to disclose the same as a contingent liability by way of abundant caution.

(ii) Subsequently, in July 2017, the Institute of Chartered Accountants of India ("ICAI") issued a guidance note on Division II of Schedule III to the Companies Act, 2013 and clarified that financial guarantees should not be included as contingent liabilities. As the SBLC could not be disclosed as contingent liability under IndAS 37, SEL elected to disclose the

SBLC transaction as an insurance contract under IndAS 104 for FY 2017-18.

(iii) The Ld. AO, however, was of the view that SBLC was required to be disclosed under IndAS 109 (financial instruments) instead of IndAS 104. It is submitted that though the Ld. AO has made the observation as stated above, the Adjudication SCN had not made any allegation regarding the requirement of disclosure under Ind AS 109. SEL specifically disclosed its treatment of the SBLC as an Insurance Contract under Ind AS 104 in Note 3 under significant judgments in applying the Company's accounting policy and Note 4 of the Standalone Financial Statements of FY 2017-18. SEL accorded due importance to the AERH SBLC matter by placing it under Note 4, which is the first note containing substantive factual disclosures. The sequencing, placement and disclosure of the SBLC at the start of the detailed Notes, out of a total of 50 Notes to the financial statements, clearly demonstrates the Company's intent to highlight this matter of significance to stakeholders.

(iv) Consequent to the invocation of SBLC, SBI made payment of the dues to the lenders of AERH. Further to the same, SBI and other lenders treated the same as loan receivable from SEL.

(d) The impairment of investments held by SEL in SEFL were duly made.

(i) Post March 2012, due to policy stalemate in many states in India and removal of key tax incentives, the sales volume of SEL and SEFL reduced significantly and both SEL and SEFL got into CDR during FY 2012-13. Accordingly, SEL impaired its investments in SEFL worth Rs. 566 crore during FY 2013-14.

(ii) The said impairment, however, was reversed during FY 2014-15, owing to reinstatement of accelerated depreciation and generation

based incentives. through the fact that SEL posted increased commissioning volume of 900 MW in FY 2015-16 and 1,779 MW in FY 2016-17, being immediate succeeding years.

(iii) The commissioning volume during FY 2016-17 of SEL was 1,779 MW out of the entire wind power volume of 5,502 MW in India. As compared to the same, the figure of average of next 5 years of the commissioning of wind power in India from FY 2017-18 to FY 2021-22 by the entire industry stood at just 1,616 MW (5-year total 8,078 MW), which was less than the volume done by SEL alone in FY 2016-17. Accordingly, it is established that impairments of investments in SEFL necessitated in FY 2018-19 and FY 2019-20 were carried out correctly.

(iv) The impairments and reversals were done pursuant to the valuation reports of independent third-party valuers and thus, no adverse inference be drawn in respect of the same.

(v) As regards infusion of equity capital of Rs. 150 crore and then return of Rs. 128 crore as repayment of loans, it is submitted that SEL had given a trade advance to SEFL. As it was getting difficult for SEL to lift the committed volumes, SEFL thought it fit to retire the trade advance with equity proceeds received in FY 2014-15 and accordingly there was a refund of advance of Rs. 128 crore made by SEFL during FY 2014-15.

(vi) During FY 2015-16, SEL had provided temporary loans to SEFL for running its business operations and fulfilling its financial commitments during June 2015 to December 2015. As the requirement of SEFL was long term, SEL decided to meet the same through equity infusion. As a result, SEL infused equity of Rs. 328 crore in SEFL and SEFL repaid loan of equal amount. It is submitted that from the equity proceeds of Rs. 328 crore received from SEL in FY 2015-16, SEFL had returned the outstanding loan to SEL.

(vii) It may be noted that SEL anticipated that a direct conversion of the loan into equity could lead to prolonged litigation with the Income tax

authorities under Section 269T of the IT Act, which requires that a loan must be repaid through account payee cheque in the name of the lender or directly to the lender through banking channels. Therefore, to save itself from the risk of long drawn litigation, the conversion of debt into equity as allowed under the Companies Act was not opted by SEL. Instead SEL infused fresh equity and SEFL repaid the loan using the said funds.

(e) The investment in SGWPL and consequent loan repayment (instead of direct conversion into equity) were done to comply with section 269T of the Income Tax Act, 1961, and not aimed at inflating net worth of SEL.

(i) As regards the SGWPL transaction, which included equity infusion and consequent repayment of loans by SGWPL, the same was done to comply with section 269T of the Income Tax Act, 1961 (which requires that the loan must be repaid through account payee cheque in the name of the lender or directly to the lender through banking channels). The straight conversion of debt into equity route was not adopted. Accordingly, SEL invested Rs. 1,200 crore on March 19, 2016, which enabled SGWPL to repay Rs. 1,000 crore to SEL and redeem Rs. 200 crore in preference shares issued to SEL. Notwithstanding the above, there is no bar in law for a parent to infuse capital into its subsidiary. Further, there is no bar on repayment of loans in tranches.

(ii) SEL sold its equity in SGWPL to SPIL, on the basis of a valuation report dated March 18, 2016, from Resurgent India, which assessed SGWPL's equity value as Rs. negative 1,008.40 crore as on December 31, 2015. After the infusion of Rs. 1,200 crore by SEL on March 19, 2016, the fair value of shares of SGWPL came to Rs. 191.60 crore i.e., (Rs. 1,200 crore less Rs. 1,008.40 crore). SEL

transferred its 100% stake in SGWPL to SPIL for Rs. 191.60 crore. The same resulted in a gross loss of Rs. 1,054.32 crore and a net loss of Rs. 808.40 crore for SEL.

(iii) The transaction was effected with board approvals and stock exchange disclosures.

(iv) It is denied that investment of Rs. 1200 crore misled the users of the financial statements or had any effect on the consolidated balance sheet of SEL. Since SEL and SGWPL share a parent-subsidiary relationship, these transactions got eliminated in the consolidated balance sheet of SEL. Subsequently, SEL sold its equity in SGWPL to another wholly owned subsidiary, SPIL.

(v) Thus, it cannot be said that the transaction was in any manner aimed at inflating SEL's net worth or misrepresenting its financial position.

(f) Transactions during the investigation period and FY 2013-14 did not violate the provisions of the SEBI Act and the PFUTP Regulations

(i) It is settled law that to sustain an allegation under regulations 3 and/or 4 of the PFUTP Regulations read with section 12A of the SEBI Act, SEBI must establish: (i) "dealing in securities" by SEL; and (ii) commission of "fraud" by SEL by inducing investors to deal in securities.

(ii) Prior to February 01, 2019, "dealing in securities" only included buying or selling or subscribing to listed securities. The impugned transactions (except the impairments of investment of SEL in SEFL in FY 2018-19 and 2019-20) have been effected prior to February 01, 2019. Hence, they do not fall within the definition of "dealing in securities" at the relevant time.

(iii) The Impugned SCN/ Adjudication SCN has failed to establish any "dealing in securities" by SEL. Also, the Impugned SCN/ Adjudication SCN does not allege that SEL's transactions artificially inflated or

maintained its stock price. No actual inducement is established, no "fraud" has been brought out in the Impugned SCN/ Adjudication SCN. Fraud requires an element of *mens rea*. It is submitted that *mens rea* cannot be inferred, particularly where the transactions were stated to have been undertaken pursuant to the MRA, with approvals and disclosures.

(iv) The transactions did not result in any misrepresentation and that both the standalone financial statements as well as the consolidated financial statements presented a true and fair view. This principle has in fact been accepted by SEBI in the order dated September 18, 2025 in the matter of Hindenburg allegations against Adani group with respect to transactions with Adicorp Enterprises Private Limited. In the said matter also allegations of violation of PFUTP Regulations had been made based on alleged violation of the LODR Regulations. The WTM therein while considering the violation of PFUTP Regulations held that: "Once, it is held that there is no violation of provisions of the LODR Regulations as impugned transaction is not related party transaction; and the amount has come back with interest in normal due course before the start of the investigation, it would be incorrect to categorise such transaction as manipulative or fraudulent transactions or unfair trade practice unless there are other evidences which proves that there is actually a fraud in these transactions."

(g) No case made out against Vinod R. Tanti, Girish R. Tanti, Kirti Vagadia and Amit Agarwal in the Impugned SCN.

(i) Neither the Adjudication SCN nor does the Impugned SCN bring out any fact to demonstrate their roles/ even designation. It is settled law that vicarious liability under section 27 of the SEBI Act cannot be imposed on directors or managers merely on the basis of their

designation; SEBI must demonstrate their active role in the alleged contravention.

(ii) SEBI has consistently held that Section 27 of the SEBI Act, prior to its amendment on March 08, 2019, did not provide for vicarious liability of individuals in respect of civil liabilities of a company. Consequently, in the absence of any specific provision for imposing vicarious liability for civil contraventions prior to this date, the allegations relating to the impugned transactions cannot be sustained against Vinod Tanti and Girish Tanti under Section 27(2) of the SEBI Act. It is pertinent to note that after March 08, 2019, the only events that occurred were impairments in respect of SEL's investment in SEFL. Therefore, the question of violation of securities laws by Vinod Tanti and Girish Tanti pursuant to Section 27(2) of the SEBI Act cannot arise.

(iii) Girish Tanti was a non-executive director throughout the Investigation Period. Vinod Tanti was a non-executive director until FY 2015-16. It is submitted that the non-executive directors cannot be held liable for the alleged acts of the Company.

(h) No violation established under LODR Regulations/Listing Agreement

(i) Regulation 4(1)(a), 4(1)(b), 4(l)(e) of the LODR Regulations were incorrectly applied under the Adjudication SCN. These provisions are not charging provisions at all. These provisions are covered under Chapter II "Principles governing Disclosures and Obligations of Listed Entity" of the LODR Regulations and have been laid down as the guiding principles for companies for interpreting the charging provisions governing disclosures and obligations of listed companies in the LODR Regulations.

(ii) Further, the allegations under Regulation (b) and (e) of the LODR Regulations against Vinod Tanti, Girish Tanti, Kirti J. Vagadia and Amit Agarwal are denied as they would not apply to individuals.

(iii) As regards allegation of violation of Regulation 17(8) read with Part B of Schedule II of the LODR Regulations, the same pertains to issuance of compliance certificate by CEO and CFO of a company. Para V of Clause 49 of the Listing Agreement is similar to Regulation 17(8) and Part B of Schedule II of the LODR Regulations. Thus, with respect to SEL, Para V of Clause 49 of the Listing Agreement has been incorrectly applied since it is a company, as the provision is applicable to individuals. Accordingly, a company cannot be held liable under the said provision. Kirti J. Vagadia was appointed as the CFO of SEL on August 01, 2015, and continued to be the CFO until December 19, 2016. Further, Kirti Vagadia was not the CFO in FY 2017-18. The allegation with respect to violation of Para V of Clause 49 of the erstwhile Listing Agreement by Amit Agarwal for the period 2013-14 are denied.

***(i)* No *grounds* for *imposition* of monetary penalty:**

Without prejudice to their submissions on merits, no monetary penalty is warranted in the facts of the case. It is submitted that none of the factors under Section 15J of the SEBI Act and Section 23J of the SCRA are attracted, as the Noticees have not made any disproportionate gain or unfair advantage, no loss to investors has been established, and there is no repetitive default. Accordingly, the Noticees have submitted that the proceedings be disposed of without imposition of penalty.

G. ISSUES FOR CONSIDERATION AND FINDINGS

54. Having dealt with the preliminary submissions I now proceed to deal with the matter on merits. Since the present proceedings arise under Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA, the examination under each issue is two-fold: first, whether the AO Order suffers from an error in its appreciation of the relevant allegation and material on record; and second, whether, upon independent consideration of the material available on record, the alleged violations stand established.

55. Based on the facts and circumstances of the present case, the material available on record, and the submissions of the Noticees, the following issues arise for consideration:

I. Whether the AO Order erred in not holding the Noticees liable in respect of the OMS transaction and subsequent related transactions, and whether the allegation of misstatement/misrepresentation of financial statements in respect of the said transactions stands established?

II. Whether the AO Order erred in not holding the Noticees liable in respect of the SBLC/AERH liability, investments/loans in SEFL, and investments/loans in SGWPL and subsequent transfer to SPIL, and whether the said accounting treatment/transactions resulted in misleading or improper presentation of financial statements/disclosures?

III. Whether, in light of the findings on Issues I and II, the AO Order is erroneous to the extent that it is not in the interests of the securities market, and whether violations, liability and penalty stand established?

56. Before proceeding further, it is pertinent to refer to the relevant provisions pertaining to this matter and the same are as follows:

Relevant Sections of SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control
12A. No person shall directly or indirectly—
(a) *use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

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

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

Relevant provisions of PFUTP Regulations:
2(1)(b) *"dealing in securities" includes 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 person as principal, agent or intermediary referred to in section 12 of the Act."*

2(1)(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 another 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—*

(1) *a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
(2) *a suggestion as to a fact which is not true by one who does not believe it to be true;*
(3) *an active concealment of a fact by a person having knowledge or belief of the fact;*
(4) *a promise made without any intention of performing it;*
(5) *a representation made in a reckless and careless manner whether it be true or false;*

(6) *any such act or omission as any other law specifically declares to be fraudulent,*
(7) *deceptive behaviour by a person depriving another of informed consent or full participation,*
(8) *a false statement made without reasonable ground for believing it to be true.*
(9) *the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price."*

"3. Prohibition of certain dealings in securities: *No person shall directly or indirectly—*
(b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."*

*"**4(2)** Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves 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;*
(r) *knowingly planting false or misleading news which may induce sale or purchase of securities."*

Relevant provisions of SCRA
21. *Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange*

Relevant provisions of LODR Regulations
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."*
17(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."*
Part B of Schedule II
"The following compliance certificate shall be furnished by chief executive officer and chief financial officer:

B. *There are, to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct."*
48 *The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.*

Relevant provisions of erstwhile Listing Agreement
41(I)(a) *The company shall be prepared the financial statements on the basis of accrual accounting policy and in accordance with uniform accounting practices adopted for all the periods"*
B Para V of *clause* 49
The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person leading the finance function discharging that function shall certify to the Board that:
(a) *They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:*
(i) *these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;*
(ii) *these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations."*

ISSUE I: ***Whether the AO Order erred in not holding the Noticees liable in respect of the OMS transaction and subsequent related transactions, and whether the allegation of misstatement/ misrepresentation of financial statements in respect of the said transactions stands established?***

57. It is noted that the investigation in the present matter did not concern an isolated accounting entry or a solitary disclosure lapse. The record placed before the adjudication proceedings concerned a connected set of

transactions undertaken by SEL, with its wholly owned subsidiaries and related group entities over multiple financial years. The principal allegations related to:

(i) the transfer of the OMS business from SEL to SGSL and the subsequent sale of SEL's entire equity stake in SGSL to SSL;

(ii) the treatment of the SBLC issued by SBI in relation to AERH;

(iii) the conversion of loans and advances to SEFL into equity and the subsequent impairment of such investments; and

(iv) the infusion of Rs.1,200 crore into SGWPL through sixteen circular entries of Rs.75 crore each and the later sale of such equity to SPIL at Rs.191.60 crore.

58. The allegations in the SCN were not directed against the mere legality of intra-group restructuring, lending by a parent company to its subsidiary, conversion of debt into equity, or disclosure of a transaction to stock exchanges in the abstract. The issues arising from the record were whether the manner in which these transactions were structured resulted in recognition of accounting gains, improvement of net worth, reduction of leverage or omission / dilution of liabilities in a manner that did not reflect the actual effect of the underlying transactions, and whether the financial statements disseminated to the securities market thereby presented a misleading picture of the financial position of SEL.

59. The adjudication order dated June 27, 2025 dealt with these allegations principally in paragraphs 18 to 28 of its order. The reasonings adopted in the said order repeatedly places reliance on valuation reports, board and shareholder approvals, disclosures to stock exchange and the absence of an express statutory prohibition against a particular step viewed in isolation. In the present proceedings, the question is whether that mode of analysis adequately addressed the actual issues arising from the investigation record.

A. Transfer of OMS business from SEL to SGSL and recognition of gains

60. It is noted that one of the central allegations in the SCN concerned the transfer of the OMS business by SEL to its wholly owned subsidiary SGSL. The record indicates that the OMS business, having a net book value of about Rs.77.08 crore, was transferred for a consideration of Rs.2,000 crore. This resulted in recognition of profit of Rs.1,922.92 crore in the financial statements of SEL for FY 2013-14. The adjudication order itself records that the said transaction had a substantial impact on SEL's financial statements and on its reported net worth.

61. The allegations with regards to the transaction did not arise merely because it involved a related party. The issue that arose was whether a business with a much lower book value being transferred for Rs.2,000 crore to a wholly owned subsidiary, which itself did not appear to have independent financial capacity to discharge the consideration within the stipulated period, required closer examination from the standpoint of the substance of the transaction, the manner of discharge of consideration, and the legitimacy of the accounting gains recognised by SEL.

62. It is observed that the adjudication order has accepted the explanation that the transfer of the OMS business was part of a restructuring exercise and was supported by an external valuation and due approvals. However, I note that this does not by itself answer the more specific issue arising from the record, namely whether the recognition of Rs.1,922.92 crore as profit in FY 2013-14 genuinely reflected actual realisation when the acquiring entity was a wholly owned subsidiary and the actual discharge of consideration did not occur in the manner and timeline contemplated by the agreements.

63. It is noted from the slump sale agreement dated March 28, 2014 read with the agreement dated June 30, 2014 that the consideration of Rs.2,000 crore for sale of OMS Business was required to be paid within 90 days. It is further noted from the agreement dated June 30, 2014 that SGSL had failed to make payment of the OMS consideration by the completion date, whereupon SEL waived such default and the parties extended the time for payment up to February 15, 2015 failing which, SGSL was required to pay interest at 11% per annum from July 1, 2014 till the date of actual payment. However, even the extended payment arrangement did not result in discharge of the full consideration by SGSL and only Rs.700 crore out of the total consideration of Rs.2,000 crore was paid over the period FY 2014-15 to FY 2016-17. Even the balance amount of Rs.1,300 crore was not realised through an independent inflow from SGSL but was treated as discharged through repeated routing/rotation of Rs.150 crore six times on March 21, 2017 and Rs.100 crore four times on March 22 and 23, 2017. These are not peripheral facts. These are central to the question whether the consideration recorded as receivable and the profits recognised thereon represented genuine commercial realisation. The fact that the Slump Sale Agreement permitted the parties to mutually decide a way forward in the event of inability to pay does not, by itself, answer the issue. The way forward actually recorded on June 30, 2014 was an extension of payment up to February 15, 2015 with interest, and not a substitution of the receivable by intra-group funding arrangements more than two years later.

64. Where a listed company recognises profit of Rs.1,922.92 crore on transfer of a business segment to its own wholly owned subsidiary, and the discharge of the agreed consideration is itself subsequently reflected through repeated circulation of the same funds and intra-group financing arrangements, the issue cannot be treated as one answered merely by pointing to a valuation report or to board approval. The issue is whether the financial statements of

SEL, viewed by investors, conveyed a financial outcome that was genuinely realised or one that was substantially attributable to intra-group structuring.

65. In this regard, it is noted that the adjudication order does not sufficiently address the implications of the following facts taken together: (i) OMS business with a net book value of around Rs.77.08 crore being transferred for Rs.2,000 crore; (ii) immediate recognition of Rs.1,922.92 crore as profit; (iii) only Rs.700 crore being paid over FY 2014-15 to FY 2016-17; and (iv) the remaining Rs.1,300 crore being reflected through circular funding / routing and later ICD/CCD-related arrangements. These facts required a deeper examination of genuine substance than what is reflected in the adjudication order. In this context, the issue was not merely that payment was made in multiple tranches; the issue was that SGSL failed to discharge the consideration within the original period as well as within the extended period as agreed on June 30, 2014, and the substantial balance was ultimately addressed only through intra-group funding and same-day routing of funds in FY 2016-17.

66. I have also considered the submission of the Noticees that the OMS transaction was part of the asset monetisation plan under the Master Restructuring Agreement, that the transfer to SGSL was intended as an intermediate step to facilitate a possible acquisition by Senvion, and that the valuation was supported by an independent valuer. These submissions may explain the commercial background in which the transaction was proposed. However, the MRA does not, by itself, answer the specific issue arising in the present proceedings. The restructuring framework contemplated realisation of funds / resources for debt servicing and prepayment; it did not dispense with the requirement that the financial statements of SEL should reflect the true effect of the transaction. Therefore, these submissions do not answer whether the profit and receivable recognised by SEL on transfer of the OMS business to its wholly owned subsidiary reflected actual realisation,

particularly when the consideration was not discharged in the stipulated manner and the substantial balance was later dealt with through intra-group funding and circular fund movement.

67. The Noticees have also submitted that Senvion, which according to the Noticees had sufficient financial resources, was looking to expand globally and was considering acquiring OMS business from SEL as part of its plan to go for an Initial Public Offer ("IPO") at the London Stock Exchange. They have further submitted that Senvion could have acquired the OMS business by simply purchasing the 50,000 equity shares of SGSL held by SEL (100% of holding) and discharging SGSL's outstanding consideration of Rs. 2,000 crore to SEL for sale of the OMS business. In this regard, it is noted that, had the aforesaid plan of acquisition of OMS business by Senvion through acquiring the 100% equity of SGSL held by SEL gone through as proposed, the total consideration would have been only Rs.2000 crore upon the entire sale of OMS business including the sale of equity of SGSL. However, as noted above, the actual events that took place with regard to the said transactions are that the OMS business was first sold to SGSL for a consideration of Rs.2000 crore vide agreements dated March 28, 2014 and June 30, 2014 and in the FY 2015-16 itself, the entire equity of SGSL held by SEL was again sold to SSL for Rs. 927.83 crore. Therefore, SEL ultimately made profits of about 2927.83 crore by way of two transactions while the same was proposed to have been sold to Senvion together for a cumulative consideration of Rs.2000 crore.

68. Further, the Noticees have submitted that the outstanding sale consideration remained unpaid for almost three years and was reflected as a “business-related receivable” in the books of SEL. They have further submitted that, in order to ensure a “better and more accurate representation” of the outstanding sale consideration, a decision was taken to infuse funds of Rs.1,300 crore in SGSL partly by subscribing to CCDs and partly by way of

ICDs, and that the proceeds were thereafter used to discharge the outstanding sale consideration. The said submission assumes significance because it shows that the manner in which the receivable arising from the OMS slump sale was presented and thereafter substituted by related-party funding arrangements was itself a material aspect requiring examination by the AO.

69. In light of the Noticees' own reliance on the the need for a "better and more accurate representation" of the outstanding sale consideration, the AO was required to examine with specificity: first, why the receivable arising out of the OMS transfer remained presented as a business-related receivable for the relevant period despite non-payment of substantial consideration; second, whether the original recognition of profit and receivable had overstated the actual effect of the transaction; and third, whether the subsequent replacement of the receivable with related-party funding arrangements involving circular fund movements actually addressed the underlying concern or merely altered the form in which the exposure was reflected.

70. It is noted that, the adjudication order does not sufficiently deal with these issues. If the original receivable from SGSL did not reflect independently recoverable consideration backed by genuine realisation, the mere substitution of that receivable with intra-group funding, book entries or CCD/ICD-based arrangements could not, by itself, establish that the financial statements presented a true and fair or an accurate picture. The core question remained whether SEL had booked profit and carried receivables on the strength of a transaction whose very substance was fundamentally dependent on its own group financing structure.

71. It is the submission of the Noticees that the ICDs were subsequently repaid by SGSL with interest from operating cash flows and that the CCD/ICD transactions were documented and disclosed. However, the said submission

does not answer the issue arising for consideration. The question is not merely whether a later repayment or documentation existed, but whether, at the time of recognition of profit and presentation of receivables in the financial statements of SEL, the transaction reflected a genuine realisation, and whether the subsequent same-day fund movements in FY 2016-17 could cure the financial statement impact already created by the original recognition of profit and receivable.

72. The aforesaid aspect assumed significance because the OMS transfer had a material impact on SEL's reported profitability and net worth. Once substantial sale consideration remained unpaid for an extended period and was later shown as discharged through CCD / ICD arrangements and circular fund movements, the AO was required to examine the entire sequence and not merely the formal replacement of one receivable by another asset. The relevant question was whether SEL had, in substance, realised the monetary benefit corresponding to the profit and receivables recognised in its financial statements, or whether the subsequent accounting entries only changed the form in which the same group-funded exposure was reflected. However, the AO Order has not undertaken such an examination.

73. It is noted that the allegation also concerns the subsequent sale by SEL of its entire equity stake in SGSL to another group entity, namely SSL, for Rs.927.83 crore, which resulted in a further profit of Rs.829.78 crore in FY 2015-16. Thus, on the same underlying OMS business that had already generated profit of Rs.1,922.92 crore in FY 2013-14, SEL recorded another substantial gain of Rs.829.78 crore in FY 2015-16 upon sale of the SGSL stake to SSL.

74. The adjudication order treats this subsequent transaction as justified on the basis that SSL had positive net worth, a history of operations, a profit track record and potential for a successful listing. However, in my view, that line of

reasoning does not sufficiently address the core concern that two layers of profit - first Rs.1,922.92 crore and then Rs.829.78 crore - were recognised on the basis of internal group restructuring of the same asset base.

75. I have also considered the submission of the Noticees that the transfer of SGSL shares to SSL was undertaken as part of a pre-listing restructuring, that SSL was a profit-making subsidiary with an operating history, and that the transaction was supported by lender approval and an independent valuation. These submissions may explain why SSL was chosen as the transferee entity. However, they do not answer the core issue as to whether SEL could recognise an additional gain of ₹829.78 crore on transfer of the same OMS-linked asset base within the group, without examining whether such gain represented an actual value addition to SEL or merely resulted from successive internal transfers and valuations.

76. The issue was not whether SSL, viewed independently, was a better capitalised entity than SGSL. The issue was whether it was appropriate for the financial statements of SEL to reflect cumulative profits exceeding ₹2,700 crore over FY 2013-14 and FY 2015-16 on account of intra-group transfers and stake sales relating to the same OMS business, without closer examination of whether these gains represented actual economic accretion to SEL or were generated through internal valuation and transfer mechanics.

77. The adjudication order's emphasis on valuation, board approvals and future listing potential does not answer the question whether the second-layer gain of Rs.829.78 crore had independent financial substance beyond an intra-group reorganisation. I note that, where a transaction sequence shows repeated internal value creation on the same asset base within the group, the analysis must test whether such gains correspond to actual monetisation or are largely accounting outcomes generated by successive internal transfers.

78. Therefore, the adjudication order does not sufficiently examine whether the sale of SEL's entire equity stake in SGSL to SSL, and the recognition of profit of Rs.829.78 crore thereon, ought to have been assessed together with the earlier OMS transfer rather than as a separate transaction viewed in isolation on the basis of valuation, approvals and disclosures. The disaggregated treatment in the adjudication order failed to address the cumulative effect of the overall transaction sequence.

79. It is noted that the allegations in the SCN connected the OMS transfer and the later equity stake sale to the broader issue of SEL's net worth and ability to present a stronger financial position in periods of stress. As noted above, OMS sale in FY 2013-14 resulted in additional profit of Rs.1,922.92 crore and SEL's net worth was shown as Rs.2,663.96 crore, whereas without the OMS transaction it would have been Rs.741.04 crore. Thus, the relevance of the OMS transaction was not confined to recognition of profit alone but extended to the presentation of SEL's reported financial position.

80. The record also indicated that without the additional profit of Rs.829.78 crore in FY 2015-16, SEL's net worth for that year would have been negative. As alleged in the SCN, the net worth of SEL for FY 2015-16 was Rs.615.18 crore, whereas without the said additional profit of Rs.829.78 crore, the net worth would have been negative Rs.214.60 crore. This again shows why the SGSL-to-SSL transfer could not have been examined in isolation from its effect on SEL's reported financial position.

81. The allegation also linked this improved reported position to subsequent capital raising and restructuring-linked issuances. The Noticees have submitted that the pricing of shares issued to CDR lenders and FCCB bondholders was determined under the MRA / restructuring framework and applicable ICDR Regulations. In this regard, they have submitted that shares were issued to CDR lenders at Rs.18.51 per share aggregating to Rs.398.69

crore, and to FCCB bondholders at Rs.15.46 per share aggregating to Rs.1,311.68 crore, and that such pricing was not based on SEL's standalone net worth. They have also submitted that the allotment to Dilip Shanghvi Family & Associates was made made on May 15, 2015 i.e. after FY 2014-15 and the same was not dependent on SEL's standalone net worth. However, the violation found in the present matter does not rest only on the identity of the allottees or on the date of the Dilip Shanghvi allotment. The material point is that, during the period of restructuring and capital raising, SEL's published financial statements reflected substantial OMS-related gains and an improved net worth, although the underlying sale consideration had not been realised in the manner presented and was later addressed through intra-group fund movements. The financial statements therefore presented SEL's profitability and net worth in a manner which was materially relevant to investors, lenders and other market participants. The fact that the FY 2014-15 allotments were made to CDR lenders, FCCB holders and promoters, or that the Dilip Shanghvi allotment was made after FY 2014-15, does not alter the finding that the published financial statements of SEL carried a misleading presentation of its financial position during the relevant period.

82. In this regard, it is noted that, even if the issue price was determined under the applicable restructuring framework or pricing regulations, the relevance of the OMS-related gains cannot be disregarded. The concern is not confined to whether the price of each allotment was arithmetically determined on the basis of SEL's standalone net worth. The concern is whether the profits recognised from the OMS transaction and the resulting presentation of net worth contributed to the improved financial position of SEL which was getting disseminated in the securities market at a time when it was undergoing restructuring and capital raising. The adjudication order, by treating the issuances as a separate matter, did not adequately examine this connected impact of the OMS-related accounting gains on the financial position presented by SEL to investors, lenders and the securities market. The

Noticees' submission may answer the mechanism of pricing of the allotments, but it does not answer the main question whether the financial statements and reported net worth of SEL presented a true and fair picture during the period of restructuring and capital raising. The subsequent fund-raising steps are not being treated as independently unlawful in isolation. What required examination was whether the financial position presented by SEL to the market had been materially affected by accounting gains arising from transactions whose substance required closer scrutiny. The adjudication order, by compartmentalising these issues, did not adequately examine the cumulative effect of the OMS transfer, the equity stake sale and the altered presentation of financial strength.

83. I have also considered the submission of the Noticees that the impugned transactions had no effect on the consolidated financial statements as intra-group transactions were eliminated at the consolidated level. In my view, the said submission does not answer the issue arising under the present allegation. The OMS transaction resulted in recognition of substantial profit, receivables and enhanced net worth in the standalone financial statements of SEL, which was the listed entity whose financial statements and disclosures were disseminated to the securities market. Even assuming that the transaction was eliminated at the consolidated level, such elimination would not, by itself, cure or neutralise the effect of recognition of profit, receivables and net worth in the standalone financial statements and disclosures of the listed entity. The obligation of a listed entity to present true and fair financial statements and to make accurate disclosures cannot be displaced merely on the ground that an intra-group transaction may be eliminated in consolidation.

84. From the material discussed in the preceding paragraphs under this issue, it cannot be viewed that the OMS transaction and the subsequent SGSL stake sale were merely regular intra-group restructuring steps as supported by

valuation, approvals and disclosures or by the fact that intra-group entries may be eliminated at the consolidated level. The OMS business having a net book value of about Rs.77.08 crore was transferred by Noticee No. 1 to its wholly owned subsidiary, SGSL, for Rs.2,000 crore on March 29, 2014, resulting in immediate recognition of profit of Rs.1,922.92 crore in FY 2013-14. Further SGSL, as on March 31, 2013, had total assets of only Rs.0.04 crore, reserves of Rs.(0.31) crore and nil turnover, and its balance sheet in FY 2013-14 expanded substantially on account of the OMS business acquired from Noticee No. 1, including assets of Rs.2,000 crore recorded pursuant to the said transaction. In these facts, the mere existence of a valuation report or due approvals could not have displaced the requirement to test whether the consideration of Rs.2,000 crore was supported by the independent capacity of the acquiring entity to pay and realization of consideration from it and whether the profit of Rs.1,922.92 crore represented a genuine accrual of financial benefit to Noticee No. 1.

85. It does not stop at the initial booking of profit. Out of the total consideration of Rs.2,000 crore, only Rs.312 crore was received in FY 2014-15 and only Rs.700 crore was actually received in the bank accounts of Noticee No. 1 during FY 2014-15 to FY 2016-17. The balance Rs.1,300 crore was not brought in through an independent external inflow. On March 21, 2017, Rs.150 crore was routed six times through the bank accounts of SGSL and Noticee No. 1 for recording receipt of the sale proceeds to the extent of Rs.900 crore, and on March 22 and 23, 2017, Rs.100 crore was similarly routed four times for recording receipt of the remaining Rs.400 crore. The investigation therefore treated the balance discharge of Rs.1,300 crore as being effected through circuitous entries without any real incremental inflow to Noticee No. 1. These facts directly bear upon whether the receivable arising from the OMS sale, and the profit recognised thereon, could at all be said to reflect a true and fair picture in the financial statements and the publicly disclosed financial position of Noticee No. 1.

86. The impact of the aforesaid treatment on the reported financial position of Noticee No. 1 was material. The OMS sale itself resulted in additional profit of Rs.1,922.92 crore in FY 2013-14. The net loss for that year was shown at Rs.924.47 crore; absent the said slump sale, the loss would have widened to Rs.2,847.39 crore. Likewise, the net worth of Noticee No. 1 was shown at Rs.2,663.96 crore, whereas without the OMS transaction it would have been only Rs.741.04 crore. In the next year, i.e. FY 2014-15, the net loss widened further to Rs.1,663.12 crore and substantial impairment was recognized. In this background, the OMS-related gains were relevant to the financial position presented by Noticee No. 1 during the period in which restructuring-linked and premium-bearing issuances were undertaken.

87. As noted above, the value creation on the OMS asset base did not end with the first leg. During FY 2015-16, Noticee No. 1 transferred its entire equity stake in SGSL to another wholly owned subsidiary, SSL, for Rs.927.83 crore and recognised a further profit of Rs.829.78 crore. Thus, on the same OMS business of net book value of about Rs.77.08 crore, profits of Rs.1,922.92 crore in FY 2013-14 and Rs.829.78 crore in FY 2015-16 came to be recognised through successive intra-group transfers. The net worth of Noticee No. 1 in FY 2015-16 was shown at Rs.615.18 crore and without the additional profit of Rs.829.78 crore generated through the SGSL stake sale, the net worth would have been negative at Rs.214.60 crore. I note that, the sequence of first transferring the OMS business for Rs.2,000 crore to a wholly owned subsidiary with negligible pre-transaction financial base and without demonstrated independent payment capacity, and thereafter booking another Rs.829.78 crore through transfer of the equity stake in that same subsidiary to another wholly owned subsidiary, reveals a repeated internal value creation on the same underlying asset base.

88. As stated by the Noticees, SGSL was ultimately merged back into SEL when the Suzlon group became debt-free in FY 2024, as the purported need to monetise OMS no longer existed and cash flows from OMS could be directly deployed for SEL's manufacturing operations. This undermines the rationale recorded in the minutes for the slump sale that same was done as part of global practice, wherein companies carry on the operation maintenance services business as separate and distinct from the parent company and/or for "efficient management," as disclosed to stock exchange. The merger of SGSL back into SEL adds up to the finding that the slump sale lacked genuine economic purpose and was instead a transaction designed to achieve financial reporting objectives, not operational efficiency. The "asset-monetization"/"debt-reduction" rationale is also not credible as there was no net cash inflow to SEL or no independent cash proceeds or demonstrable third-party funding on the record. Instead, the OMS business was subsequently merged back into SEL, thereby negating the claimed long-term commercial purpose.

89. Therefore, the AO Order erred in treating the OMS transaction chain as sufficiently explained by valuation reports, approvals and disclosures. Further, upon independent consideration of the material on record and based on the observations made above, I note that the OMS transaction chain resulted in creation and continuation of a misleading picture of profitability and net worth, which had the capacity to influence the market's perception of the financial strength of Noticee No. 1 during the period in which premium-bearing equity issuance and restructuring-linked issuances were undertaken.

90. Accordingly, Issue I is answered in the affirmative. The AO Order erred in not holding the Noticees liable in respect of the OMS transaction and subsequent related transactions, and upon independent consideration of the material on record, the allegation of misstatement/misrepresentation of financial

statements in respect of the said transactions stands established to the extent recorded above.

ISSUE II: Whether the AO Order erred in not holding the Noticees liable in respect of the SBLC/AERH liability, investments/loans in SEFL, and investments/loans in SGWPL and subsequent transfer to SPIL, and whether the said accounting treatment/transactions resulted in misleading or improper presentation of financial statements/ disclosures?

A. SBLC of USD 569.40 million (Rs.4,050 crore) relating to AERH and its reclassification

91. The allegation against the Noticees also concerns the treatment in FY 2017-18 of the SBLC issued by SBI in relation to AERH. It is not in dispute that in FY 2016-17, the relevant obligation had been reflected as a contingent liability, whereas in FY 2017-18 the company reclassified the guarantee / exposure as an insurance contract under Ind AS 104 and did not show it as contingent liability of USD 569.40 million, equivalent to approximately Rs.4,050 crore, in the contingent liability note.

92. The AO order examined the relevant provisions of Ind AS 37, Ind AS 104 and Ind AS 109 and itself observed that the company ought to have treated the SBLC as a financial guarantee requiring a different presentation. However, the AO ultimately took a lenient view on the basis that adequate disclosures were made to investors.

93. I have also considered the submission of the Noticees that the change in presentation was made during the transition to Ind AS, that financial guarantees were not required to be shown as contingent liabilities after applicability of Ind AS, that the SBLC arrangement was considered as an

insurance contract under Ind AS 104 after discussions with statutory auditors, and that details of the SBLC were nevertheless disclosed in Notes 3 and 4 to the standalone financial statements for FY 2017-18. The Noticees have further submitted that there was no removal of any material obligation from the financial statements and that the disclosure, in substance, remained consistent.

94. I note that, once it is found that the applicable accounting standard required a different presentation, the inquiry could not end by merely observing that the exposure was referred to elsewhere in the notes. It is noted from the record that the guarantee was shown as contingent liability in FY 2016-17 but omitted from Note 41 in FY 2017-18, and that the reclassification was referred to in Notes 3 and 4 without corresponding carry-forward, reconciliation or clear explanation as to why the earlier treatment had changed. Paragraph 18 of Ind AS 1 itself states that inappropriate accounting policies cannot be rectified merely by disclosure of the accounting policies used or by notes / explanatory material.

95. The fact that the company may have discussed the matter with its auditors or chosen a particular classification during transition to Ind AS does not by itself answer the issue. The AO himself recorded that the SBLC was in the nature of a financial guarantee and ought to have been accounted for under Ind AS 109. Once that finding was recorded, the AO was required to examine whether the reclassification from contingent liability to insurance contract, without clear reconciliation or carry-forward in the contingent liability note, provided investors with a transparent and comparable presentation of the exposure.

96. It is noted that there was no change in the underlying liability structure between FY 2016-17 and FY 2017-18. The facility terms remained materially the same and, on the material available, the exposure continued to be

significant to SEL's financial risk profile. The subsequent invocation of the SBLC in October 2019, the payment by SBI to the lenders of AERH, and the treatment of the said amount by SBI and other lenders as loan receivable from SEL further show that the arrangement was, in substance, a financial guarantee exposure of SEL and not an insurance contract. Therefore, the treatment of the SBLC/AERH exposure as an insurance contract under Ind AS 104 was not justified.

97. The AO himself recorded that the SBLC, being in the nature of a financial guarantee, ought to have been accounted for under Ind AS 109. The SCN, on the other hand, proceeded on the basis that the omission of the SBLC exposure from the contingent liability note, by invoking Ind AS 104, was not in accordance with Ind AS 37. In the facts of the present case, the material conclusion is that SEL could not have treated the SBLC/AERH exposure as an insurance contract under Ind AS 104. Once the arrangement was in substance a financial guarantee exposure of SEL, the FY 2017-18 presentation was required to clearly reflect that continuing exposure in accordance with the applicable accounting standards and disclosure requirements. The treatment actually adopted by SEL, namely classifying the exposure as an insurance contract and omitting it from the contingent liability note, failed to provide a clear, comparable and true presentation of such material exposure.

98. Therefore, the FY 2017-18 accounting / disclosure treatment of the SBLC/AERH exposure resulted in materially diluted presentation of SEL's financial exposure and risk profile. The omission of the SBLC exposure of USD 569.40 million, equivalent to approximately Rs.4,050 crore, from the contingent liability note, coupled with its treatment as an insurance contract under Ind AS 104, did not present the true substance of the arrangement. Accordingly, the SBLC/AERH issue stands established as a misleading /

improper presentation of financial statements and disclosures for FY 2017-18.

B. ***Investments / loans in SEFL, conversion into equity and subsequent impairment***

Reversal of impairment and subsequent impairments in SEFL

99. With regard to the investments made in and loans / advances given by SEL to SEFL, the allegation in the SCN was not merely that SEL had invested in SEFL or that impairment / reversal of impairment was made in different years. The issue was whether the reversal of impairment in FY 2014-15, subsequent capital infusion / conversion of loans into equity, return of funds by SEFL to SEL, and later impairments in FY 2018-19 and FY 2019-20, when viewed together, resulted in a financial presentation which did not reflect the actual substance of the SEFL exposure.

100. It is noted that SEL had impaired its investment in SEFL by about Rs.566 crore in FY 2013-14, later reversed impairment in FY 2014-15, and then again impaired the investments in later years, including in FY 2018-19 and FY 2019-20. The investigation observed that the reversal of impairment of about Rs.556 crore in FY 2014-15 had the effect of understating the depletion in financials at a time when the company had suffered severe impairments in foreign subsidiaries.

101. It is the submission of the Noticees that the impairment of investment in SEFL in FY 2013-14, reversal of impairment in FY 2014-15, and subsequent impairments in FY 2018-19 and FY 2019-20 were based on prevailing business circumstances and independent valuation reports. They have submitted that SEL and SEFL were affected by policy stalemate and removal of key incentives in the wind sector during FY 2012-13, that the impairment of Rs.566 crore in FY 2013-14 was made in that background, and that the reversal in FY 2014-15 was based on improved outlook following

reinstatement of accelerated depreciation and generation-based incentives. They have further submitted that the later impairments in FY 2018-19 and FY 2019-20 were necessitated by subsequent deterioration in business conditions and were supported by independent valuations.

102. I note that the adjudication order emphasises that impairment and reversal were based on external valuations and that the forensic audit report did not find a direct violation of the applicable accounting standards. However, this line of reasoning does not sufficiently deal with the specific concern arising from timing and context. It is noted that the assets whose value was revived in FY 2014-15 were again substantially impaired in FY 2018-19 and FY 2019-20, which required examination of whether the reversal of impairment in FY 2014-15 materially improved SEL's reported financial position during a period when its financials were otherwise affected by substantial impairments, without there being a sustained improvement in the value of the SEFL investment.

103. It is noted that, in securities market context, technical compliance with valuation methodology is relevant but cannot be treated as conclusive where the consequence of the impairment reversal is a more favourable presentation of the company's financial position to investors. The question is did the adjudication order examine whether the timing and the attending circumstances of the reversal could have conveyed an impression of financial recovery or asset strength that was not borne out over time.

104. The adjudication order does not sufficiently address the specific issue that the reversal of Rs.556 crore in FY 2014-15 allegedly coincided with a period in which SEL's financial position had otherwise sharply weakened due to major impairments elsewhere. The recurrence of large impairments in respect of the same investment in subsequent years required the adjudication order to examine whether the interim reversal genuinely

reflected improved financials or whether it materially improved the reported position of SEL in a manner likely to influence investors. That examination is not sufficiently evident in the adjudication order.

105. Further, on consideration of the material on record as noted above, it is noted that the impairment reversal in SEFL cannot be viewed merely as a bona fide valuation exercise unconnected from its financial statement impact. The investment in SEFL worth approximately Rs.566 crore was impaired, thereafter reversed in FY 2014-15, and subsequently impaired again by approximately Rs.560 crore in FY 2018-19 and Rs.194.27 crore in FY 2019-20. While valuation reports and business circumstances may be relevant, they do not by themselves answer whether the reversal fairly reflected the recoverability and value of SEL's investment in SEFL. Therefore, viewed with the surrounding facts and subsequent impairment history, the SEFL impairment / reversal treatment contributed to a financial presentation which did not adequately reflect the true nature and quality of SEL's exposure to SEFL.

Loans to SEFL, immediate repayments, write-offs and conversion into equity

106. It is noted that the allegation concerning SEFL was not confined to impairment reversal. It also involved specific transactions in which SEL infused Rs.150 crore equity into SEFL as on March 31, 2015, out of which Rs.128 crore was immediately returned as repayment of loans and was written off. A capital infusion of Rs.328 crore in FY 2015-16 followed a similar pattern and was subsequently written off. It is noted that Rs.328 crore was routed multiple times between SEL and SEFL without any genuine net inflow to SEL and was then converted into equity through book entries. The said equity investment was subsequently impaired during FY 2018-19 and 2019-20.

107. The Noticees have submitted that the amount of Rs.128 crore returned by SEFL represented repayment/refund of trade advance earlier given by SEL, and that the Rs.328 crore transaction in FY 2015-16 represented repayment of temporary loans provided by SEL to SEFL for business operations and financial commitments. It has been further submitted that SEL chose the route of equity infusion followed by repayment through banking channels, instead of direct conversion of loan into equity, to avoid possible litigation under Section 269T of the Income Tax Act, 1961, and that the conversion of debt into equity was otherwise permissible under company law and was duly approved and disclosed.

108. I note that the adjudication order records that if the loans and advances had not been converted into equity, inter-corporate deposits amounting to Rs.355 crore would have continued to appear as loans given to a subsidiary and interest would have been charged as income. It further records that the conversion improved net worth and debt-equity ratio, but also notes that no fresh borrowings were made on the basis of such improved financials. In my view, that reasoning does not answer the principal issue. A loan/ICD receivable and an equity investment do not communicate the same risk, recoverability or capital structure implications to investors. Therefore, the AO was required to examine whether the conversion altered the information as disclosed before investors with regard to the presentation of SEL's exposure to SEFL, rather than treating the conversion as neutral merely because the same amount would otherwise have remained as ICD.

109. The concern arising from the record was not merely whether SEL would otherwise have earned interest income on ICDs, but whether the conversion of recoverable loan / advance exposure into equity, through fund movements involving immediate repayments / adjustments, fairly presented the nature, recoverability and risk profile of SEL's exposure to SEFL in the financial statements of the listed entity. The fact that conversion of debt into equity is

not per se barred is not determinative. Nor was the issue whether external borrowings were immediately raised on the strength of those improved metrics. The explanation that the particular route was adopted to avoid possible tax litigation under Section 269T may explain the form chosen by SEL, but it does not answer the securities law question whether the resulting presentation gave investors a fair and reliable picture of SEL's exposure to SEFL. The material issue was whether the movement of Rs.150 crore and Rs.328 crore between SEL and SEFL, followed by immediate returns / repayments and book conversion into equity, created an appearance of strengthened capital structure and improved net worth without any corresponding fresh capital inflow.

110. The adjudication order, by reasoning that the law does not prohibit loan-to-equity conversion, addresses a proposition materially narrower than the allegation on record. The allegation against the Noticees is that the transactions lacked commercial substance because the same funds moved out of SEL, returned to SEL and were then reflected through equity conversion in a manner that improved net worth and leverage ratios. It is noted that, the adjudication order does not adequately examine whether such improvement in key metrics, viewed from the perspective of market disclosures, reflected the actual position of SEL or only a change from loan / advance exposure to equity investment in the books of SEL, without a corresponding improvement in the recoverability or quality of that exposure. Therefore, the financial treatment of the SEFL transactions contributed to a misleading presentation of SEL's exposure to SEFL and its financial condition.

111. The facts recorded above clearly show that the SEFL fund movements and conversion of loan / advance exposure into equity resulted in misleading presentation of SEL's exposure to SEFL. The movement of Rs.150 crore and Rs.328 crore between SEL and SEFL, the immediate repayments/

adjustments, the conversion of exposure into equity and the subsequent impairment of such equity show that the transactions changed the manner in which SEL's exposure was reflected in its books, without a corresponding improvement in the recoverability or quality of that exposure. A loan, capital infusion and an equity investment do not convey the same risk, recoverability or capital-structure implications to investors. Therefore, the SEFL transactions, when viewed cumulatively, resulted in a presentation of SEL's exposure and financial position which did not fairly reflect the underlying fund movements. To that extent, the allegation of misleading / improper presentation in respect of SEFL stands established.

C. ***Investment of Rs.1,200 crore in SGWPL through sixteen circular entries and subsequent sale to SPIL***

112. SEL had invested Rs.245.92 crore in SGWPL through equity and preferential share capital. It is noted that from FY 2012 to FY 2016, SEL had provided temporary loans to support SGWPL's operational requirements. The Noticees have submitted that in FY 2015-16, the working capital requirement of SGWPL had increased and there was no near-term visibility of repayment of such loans. It is in this background that SEL infused fresh equity of Rs.1,200 crore into SGWPL.

113. I note that the said Rs.1,200 crore did not represent a genuine fresh equity infusion but was carried out through sixteen circular entries of Rs.75 crore each, with the funds moving from SEL to SGWPL and then being returned by SGWPL to SEL on the same day and adjusted against outstanding loans. The result was that loans receivable from SGWPL were converted into equity tthrough same-day fund movements, without any fresh fund inflow. At the same time, the transaction was reflected as purchase of equity shares in SEL's financial statements and as proceeds from issue of equity shares in SGWPL's cash flow statement.

114. The adjudication order deals the aforesaid issue by stating that lending by a parent company to a subsidiary and subsequent repayment by the subsidiary is not barred under law, that both entities made disclosures in their financial statements, and that the later sale of such equity to SPIL at Rs.191.60 crore was based on expert valuation. The AO also accepted the explanation that the transaction was undertaken for consolidation of divisions and that the valuation report had assessed SGWPL's equity value as negative. In my view, this mode of analysis does not sufficiently address the specific allegation on record.

115. The permissibility of parent-subsidiary lending, as a matter of corporate law, does not by itself answer the allegation in the present case. The issue was whether Rs.1,200 crore shown as equity infusion in FY 2015-16 into SGWPL represented real fresh capital or whether it was in substance a circular conversion of outstanding loans into equity through sixteen same-day entries of Rs.75 crore each, thereby improving the presentation of equity and reducing the appearance of loans without any fresh external capital being introduced.

116. I further note that the same equity, reflected at Rs.1,200 crore in SGWPL, was later sold to SPIL for Rs.191.60 crore, resulting in a loss of Rs.1,054 crore. This later valuation outcome required the adjudication order to examine whether the original presentation of Rs.1,200 crore as equity represented the true financial position arising from the transaction, or was only a conversion of an outstanding loan exposure into another form in SEL's books. More so particularly when the Noticees themselves submitted that, if the outstanding debt had not been converted into equity, the debt itself would have had to be written off at a loss.

117. Therefore, I note that the adjudication order does not sufficiently examine the combined effect of these facts namely, (i) Rs.1,200 crore shown as fresh equity infusion in FY 2015-16; (ii) the infusion being routed through sixteen circular entries of Rs.75 crore each; (iii) the resulting replacement of loan exposure with equity exposure without real fresh inflow; and (iv) the same equity later being sold to SPIL for Rs.191.60 crore at a loss of Rs.1,054 crore. These facts required a closer examination not only of whether the transaction was documented or disclosed, but whether the resulting entry in SEL's financial statements fairly represented the nature and effect of the fund movement.

118. The existence of board approvals, disclosures and valuation reports could not, by themselves, answer the specific concern arising from the manner in which the transaction was structured and recorded. Formal documentation of each step was not a complete answer to the concern arising from the overall sequence. The question remained whether the sequence fairly presented the financial effect of the transaction in SEL's books. In the facts recorded above, I find that it did not.

119. Upon independent consideration of the material on record, I find that the SGWPL/SPIL transactions resulted in a presentation of SEL's exposure to SGWPL which did not reflect the true substance of the underlying fund movements, conversion of loans into equity and subsequent sale of equity at a substantial loss. The said treatment contributed to a misleading presentation of SEL's financial position to that extent.

120. In view of the above, SGWPL/SPIL transactions did not merely involve a permissible parent-subsidiary restructuring or routine conversion of loans into equity. Upon independent consideration of the material on record, I note that the Rs.1,200 crore equity infusion through sixteen same-day circular entries, the corresponding adjustment of outstanding loans, and the subsequent sale

of the same equity to SPIL for Rs.191.60 crore resulted in a presentation of SEL's exposure to SGWPL which did not fairly reflect the true nature and effect of the underlying fund movements. The said treatment contributed to a misleading presentation of SEL's financial position to that extent.

Standalone financial statement impact and the defense of no impact on consolidated statements

121. The Noticees have also submitted that the relevant transactions had no impact on the consolidated financial statements. The adjudication order appears to proceed, at certain places, on the basis of accepting the Noticees' submission that if the consolidated financial statements were not materially affected, the significance of issues in the standalone financial statements may be reduced. In my view, that approach is not justifiable in the context of the present allegations.

122. SEL, as a listed company, was under an obligation to prepare, present and disseminate both standalone financial statements and consolidated financial statements independently. The standalone financial statements are not a secondary or optional set of accounts. They are a statutory financial representation of the corporate entity and are relied upon for dividend decisions, covenant compliance, assessment of standalone leverage, and evaluation of the listed entity by investors, lenders and other market participants.

123. Therefore, where the record alleges that specific transactions - such as the OMS transfer to SGSL, the SBLC/AERH reclassification, reversal of impairment and conversion of loans into equity in SEFL, or the Rs.1,200 crore SGWPL equity infusion through circular entries - improved or altered key aspects of the standalone financial statements of SEL, it would not be

sufficient to dilute the significance of such allegations merely by reference to the consolidated financial statements.

CONSIDERATION OF PFUTP VIOLATIONS AND DISCLOSURE OBLIGATIONS

124. It is the submission of the Noticees that Section 12A of the SEBI Act and the PFUTP Regulations are not attracted as, according to them, there was no "dealing in securities" and no "fraud" established in the present matter. The said submission does not hold merit. The expressions "dealing in securities" and "fraud" under Regulations 2(1)(b) and 2(1)(c) of the PFUTP Regulations are wide and inclusive. "Dealing in securities" is not confined only to actual purchase or sale of securities by the person concerned, but also includes acts knowingly designed to influence the decision of investors in securities. Similarly, "fraud" under the PFUTP Regulations is broad enough to include acts, omissions or concealment which have the effect of inducing another person to deal in securities.

125. The submission that the impugned conduct falls outside the PFUTP Regulations merely because most of the transactions took place prior to February 01, 2019 also cannot be accepted. The allegation in the present matter is not confined to a bare internal transfer of assets or an isolated accounting entry. The allegation is that SEL, being a listed entity, published / caused to be published financial results and financial statements over years which, for the reasons recorded above, presented a materially misleading picture of its financial position. Regulation 4(2)(f) of the PFUTP Regulations specifically covers knowingly publishing or causing to publish information relating to securities, including financial results and financial statements, which is not true or which the person does not believe to be true, prior to or in the course of dealing in securities. Once financial statements of a listed entity are disseminated to the securities market, they become part of the

information framework on the basis of which investors assess the securities of that entity. Therefore, the expression “dealing in securities” cannot be read in the narrow manner suggested by the Noticees so as to exclude misleading financial statements of a listed company from the scope of securities market regulation.

126. The submission that the SCN does not establish actual inducement, actual trading by SEL, or arithmetical price impact is also not tenable. In proceedings under Section 12A of the SEBI Act and Regulations 3 and 4 of the PFUTP Regulations, the inquiry is not confined to identifying a particular investor who traded on a particular day solely on the basis of the impugned disclosure. The regulatory concern is whether the conduct was capable of misleading investors or impairing the integrity of information available in the securities market. The Hon’ble Supreme Court in **SEBI v. Kanaiyalal Baldevbhai Patel**[8] has recognised that the PFUTP provisions are couched in broad terms to cover diverse situations and possibilities, and that “fraud” under the PFUTP framework is not to be construed narrowly. Similarly, in **SEBI v. Rakhi Trading Private Limited**[9]**,** the Hon’ble Supreme Court has emphasised that practices creating artificial, false or misleading appearance in the securities market strike at market integrity. The existence of approvals, valuation reports or disclosures does not, by itself, answer the allegation where the financial statements, viewed as a whole, are found to have conveyed a misleading financial position to the market. Further, *mens rea*, in the sense of a criminal intention, is not required to be proved as an independent ingredient in the manner suggested by the Noticees in the proceedings like the present case which are civil in nature. The transactions involved in the present matter, by their very nature as detailed above, inherently fall under the definition of dealing in securities within its broad meaning.

[8] (2017) 15 SCC 1.
[9] Civil Appeal No. 1969 of 2011 decided on February 08, 2018.

127. In this context, it is relevant to mention that the Hon'ble Supreme Court in **N. Narayanan v. Adjudicating Officer, SEBI** [10] , while considering the provisions of the SEBI Act and the PFUTP Regulations, emphasised the object of securities law as prevention of market abuse and preservation of market integrity. The Hon'ble Supreme Court observed as under:

"35. Prevention of market abuse and preservation of market integrity is the hallmark of securities law. Section 12-A read with Regulations 3 and 4 of the 2003 Regulations essentially intended to preserve "market integrity" and to prevent "market abuse". The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors' protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. "Market abuse" impairs economic growth and erodes investor's confidence……"

….

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading, etc. or else they will be failing in their duty to promote orderly and healthy growth of the securities market…"

128. The Hon'ble Supreme Court in **SEBI Vs. Kanaiyalal Baldevbhai Patel**[11] further gave a broad and purposive interpretation to the expression "fraud" under Regulation 2(1)(c) of the PFUTP Regulations and observed as under:

"5. If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression,

[10] AIR 2013 SC 3191.
[11] *Supra* note 8.

omission or concealment has/had the effect of inducing another person to deal in securities."

6. The definition of "fraud", which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities…."

129. The Hon'ble Supreme Court in **Kanaiyalal Baldevbhai Patel**[12] has also recognised that Regulations 3 and 4 of the PFUTP Regulations are couched in broad terms. The Hon'ble Supreme Court observed as under:

"37. It should be noted that the provisions of regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities. Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted in a situation like the one under consideration…."

130. The Hon'ble SAT in **V. Natarajan Vs. SEBI**[13] has also recognised the width of the prohibition contained in the PFUTP Regulations in relation to schemes, devices and publication of untrue information. The Hon'ble SAT observed as under:

"2. …..These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true…."

[12] *Supra* note 8.
[13] Appeal No. 104 of 2011 decided on June 29, 2011.

131. More recently, the Hon'ble Supreme Court in **SEBI v. Terrascope Ventures Ltd.**[14] reiterated the object and width of the SEBI Act and the PFUTP Regulations. The Hon'ble Supreme Court observed as under:

"36. It is now very well settled that the SEBI Act and the Regulations are intended to pre-empt manipulative trading and check all kinds of impermissible conduct resorted by parties, so that the innocent investor is not misled. The primary purpose of such statutory provisions is to provide an environment conducive to increased participation and investment in the securities market, which is vital to the growth and development of the economy.

37. Further, the object is to prevent exploitation of the public through misrepresentation and to ensure that adequate and true information before the investor is placed. This Court has also held that while interpreting these regulations which are intended to protect the investor the Court must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. Further, this Court has emphasized that any practice which does not conform to the fair and transparent principles of trades in the stock market would be captured under the rubric of unfair trade practices in the securities market.

38……

39. For the purpose of PFUTP and the SCRA, breach of Regulation 3 and 4 would be attracted if any person sells or otherwise deals in the security in a fraudulent manner. It would further be attracted if any person uses or employs in connection with issue of any security, any manipulative or deceptive device in contravention of provisions of the Act; knowingly publishes or causes to publish any information which is not true or which he does not believe to be true prior to or in the course of dealing with securities; disseminates information which he knows to be false or misleading and which is designed to influence the decision of the investor dealing in securities and knowingly plants false or misleading news which may induce sale or purchase of securities.

40….

41. Under the PFUTP Regulations, fraud is broadly defined and is not confined to the meaning as normally understood. As would be clear from

[14] Civil Appeal Nos. 5209–5211 of 2022, decided on March 17, 2026.

the definition, there could be fraud under the PFUTP Regulations even without deceit."

132. In view of the above, the scope and ambit of the PFUTP Regulations cannot be confined only to cases of actual trading by the person concerned or to cases where price impact is arithmetically demonstrated. Regulation 4(2)(f) specifically treats the act of knowingly publishing or causing to publish information relating to securities, including financial results and financial statements as fraudulent, which is not true or which the person does not believe to be true, prior to or in the course of dealing in securities. Regulation 4(2)(r) similarly covers knowingly planting false or misleading news or information which may induce sale or purchase of securities. Financial statements of a listed company are central to investor assessment of its financial health, performance, cash flows and prospects. Therefore, where such financial statements, by reason of misstatement, misrepresentation or failure to disclose the real nature and effect of material transactions, present a materially misleading picture of the financial position of the listed entity, such conduct cannot be treated as a mere internal accounting matter divorced from the securities market.

133. The Noticees have also contended that, once no violation of the LODR Regulations is established in respect of the impugned transactions, the same transaction could not, in the absence of other evidence of fraud, be categorised as manipulative, fraudulent or unfair and have relied upon the order of WTM, SEBI dated September 18, 2025 in the matter of in the matter of Hindenburg Allegations against Adani Group with respect to transactions with Adicorp Enterprises Private Limited. The said submission does not support the case of the Noticees in the present matter. The finding recorded herein is not one where the alleged disclosure / accounting violation has failed. On the contrary, for the reasons recorded above, the financial statements of SEL have been found to be misleading / improper in respect of

the relevant transactions and financial statement items. Once the disclosures and financial statements themselves are found to have failed to fairly present the material facts and financial effect of the transactions, the PFUTP allegation cannot be defeated by relying on a decision which proceeded on the absence of any LODR violation. In the present case, the PFUTP finding rests on the misleading character of the published financial statements and disclosures, read with the surrounding transactions and fund movements, and is therefore supported by the established disclosure violations rather than being independent of, or contrary to them.

134. It is further noted that LODR Regulations impose continuing disclosure obligations on listed entities. Regulations 4(1)(a), 4(1)(b) and 4(1)(e) require a listed entity to comply with the principles governing disclosures, including preparation and disclosure of information in accordance with applicable accounting standards, refraining from misrepresentation, and ensuring that information made available to investors is adequate, accurate and timely. Regulation 48 further requires compliance with applicable accounting standards while preparing financial results and annual reports. Therefore, where the financial statements or annual reports of a listed entity do not fairly present the nature, effect and financial impact of material transactions, the issue is not confined to an internal accounting classification but also implicates the listed entity's obligations to disseminate accurate information under the LODR Regulations and, for the earlier period, the corresponding obligations under the erstwhile Listing Agreement.

ISSUE III: If the findings on Issues I and II are in affirmative, whether the violations stand established which warrant imposition of penalty?

135. Having recorded the findings on Issues I and II, I now proceed to consider whether, in light of the findings recorded above, the alleged violations and consequential liability of the Noticees stand established.

136. From the findings recorded above, it is noted that the OMS transaction chain, the SBLC/AERH reclassification, the SEFL transactions and the SGWPL/SPIL transaction resulted in publication and dissemination of financial statements and disclosures which did not present a true and fair view of the profitability, net worth in the financial statements of Noticee No. 1. The material on record is therefore sufficient not only to hold that the AO Order is erroneous to the extent that it is not in the interests of the securities market within the meaning of Section 15-I(3) of the SEBI Act and Section 23-I(3) of the SCRA, but also to hold that the alleged contraventions stand established to the extent recorded in this order.

137. As regards Noticee No. 1, SEL, the violations stand established in respect of the OMS transaction chain, SBLC/AERH reclassification, SEFL transactions and SGWPL/SPIL transaction chain, to the extent recorded under Issues I and II. SEL is the listed entity whose financial statements and disclosures were disseminated to the securities market. The findings recorded above show that the financial statements and disclosures published / disseminated by SEL did not reflect the true substance of the said transactions and resulted in misleading presentation of its profitability, net worth, leverage, financial exposure and risk profile. I, therefore, note that Noticee No. 1 violated Section 12A(a), 12A(b) and 12A(c) of the SEBI Act; Regulations 3(b), 3(c) and 3(d), and Regulations 4(2)(f) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c)(1) of the PFUTP Regulations; Regulations 4(1)(a), 4(1)(b), 4(1)(e), 17(8) read with Part B of Schedule II and Regulation 48 of the LODR Regulations for the relevant period; and Clause 41(I)(a) and para V of Clause 49 of the erstwhile Listing Agreement read with Section 21 of the SCRA for the relevant earlier period.

138. As regards other Noticees, they have contended that neither the Adjudication SCN nor the present SCN brings out any specific role of Noticee Nos. 2 to 5

and that liability cannot be imposed merely on the basis of designation. They have further submitted that Section 27 of the SEBI Act, prior to its amendment on March 08, 2019, did not provide for vicarious liability of individuals in respect of civil contraventions of a company; that Girish R. Tanti was a non-executive director throughout the Investigation Period; that Vinod R. Tanti was a non-executive director until FY 2015-16; that Regulations 4(1)(a), 4(1)(b) and 4(1)(e) of the LODR Regulations do not apply to individuals; and that Regulation 17(8) read with Part B of Schedule II of the LODR Regulations/ Para V of Clause 49 of the erstwhile Listing Agreement concern CEO / CFO certification.

139. I have considered the submission regarding the scope of Section 27 of the SEBI Act prior to March 08, 2019. In the facts of this case, I note that the liability of the individual Noticees is not based merely by virtue of Section 27 of the SEBI Act. The liability of the individual Noticees is examined with reference to their period of association, and the inherent responsibility that they carried in relation to the financial statements and disclosures considered in this order.

140. I note that a company, being a juristic person, acts through its directors, key managerial personnel and officers. Persons occupying executive, managerial or finance positions in a listed company cannot evade liability merely because the disclosures were made by the company. Also the directors are the custodians of the company and are responsible for monitoring the activities of the company. Their role is not limited to merely attend the meeting and have a definitive role to play on the board of the company and as such cannot escape the liability. Where the financial statements and disclosures of a listed entity are alleged and found to be misleading, the role of those who were associated with the relevant transactions, financial reporting process, certification framework, or senior management responsibility during the

relevant period has to be assessed on the facts of the case. The findings recorded against the Noticees-2 to 5 are not based on designation in the abstract, but on the period-wise capacity and responsibility of each such Noticee in relation to the transactions and disclosures attributed to them.

141. In this regard, reference is drawn to the judgment of the Hon'ble Supreme Court in **N. Narayanan vs Adjudicating Officer, SEBI**[15] wherein it was observed as follows:

"*29. SEBI Act read with Regulations of the Companies Act would indicate that the obligations of the Directors in listed companies are particularly onerous especially when the Board of Directors makes itself accountable for the performance of the company to share holders and also for the production of its accounts and financial statements especially when the company is a listed company.*

30. The Directors of the company or the person in charge directly or indirectly use or employ, in connection with the issue, purchase or sale of any securities listed in stock exchange, any manipulative or deceptive device or contrivance in contravention of SEBI Act or the Regulations made thereunder have necessarily to be dealt with in accordance with the provisions of the Act and the Regulations which is absolutely necessary for the investor's protection and to avoid market abuse.

31. The facts clearly indicated that the company had made false corporate announcement stating that it had entered into agreements with 802 theatres and that false corporate announcement gave false figures relating to advance, security deposit and income pertaining to the theatres which were not inexistence. The deposits shown were turned out to be not genuine but mere book entries to hide receivables in the balance sheet.

32. Responsibility is cast on the Directors to prepare the annual records and reports and those accounts should reflect 'a true and fair view'. The over-

[15] *Supra* note 10.

riding obligation of the Directors is to approve the accounts only if they are satisfied that they give true and fair view of the profits or loss for the relevant period and the correct financial position of the company.

33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially."

142. As regards Noticee No. 2, Vinod R. Tanti, it is noted that he was a Non-Executive Director of SEL during FY 2013-14, FY 2014-15 and FY 2015-16. However, during FY 2016-17 he was Chief Operating Officer of SEL, and from FY 2017-18 onwards he was Whole-time Director and Chief Operating Officer. I note that a Whole-time Director and Chief Operating Officer is an executive / managerial position. Therefore, he is liable for the violations that have been established for the said period. As regards Noticee No. 3, Girish R. Tanti, it is noted that he was a Non-Executive Director of SEL during FY 2013-14, FY 2014-15 and FY 2015-16. He acted as an Executive Director during FY 2016-17 and thereafter again as Non-Executive Director. Therefore, his submission that he was a Non-Executive Director during the earlier years does not mean that he ceased to be associated with SEL thereafter; it only reflects the nature of his directorship during those years.

143. The findings recorded under Issue I show that the OMS transaction chain commenced in FY 2013-14 with transfer of the OMS business by SEL to

SGSL for Rs.2,000 crore and recognition of profit of Rs.1,922.92 crore, resulting in presentation of SEL's net worth at Rs.2,663.96 crore instead of Rs.741.04 crore. The said transaction chain did not end in FY 2013-14. The balance consideration of Rs.1,300 crore was shown as discharged only in March 2017 through repeated routing of Rs.150 crore and Rs.100 crore between SEL and SGSL. During FY 2016-17, when the said circular routing of Rs.1,300 crore took place, Noticee No. 2 was holding the position of Chief Operating Officer and Noticee No. 3 acted as an Executive Director of SEL. In view of the same, their responsibilities stand established in relation to the OMS transaction chain, including the FY 2016-17 stage at which the balance consideration was shown as discharged through circular routing.

144. The SBLC/AERH reclassification issue arose in FY 2017-18. During the said period, Noticee No. 2 was Whole-time Director and Chief Operating Officer of SEL. The findings as recorded under Issue II show that the SBLC exposure of USD 569.40 million, equivalent to approximately Rs.4,050 crore, was reclassified as an insurance contract under Ind AS 104 and omitted from the designated contingent liability note in FY 2017-18, resulting in materially diluted presentation of SEL's financial exposure. Considering that Noticee No. 2 was holding an executive position as Whole-time Director and Chief Operating Officer during FY 2017-18, his liability is also attracted in relation to the SBLC/AERH disclosure issue. Therefore, his liability is not attracted with regard to the said transaction.

145. However, during the SBLC/AERH issue, the Noticee-3 acted as non-executive director. As regards the SEFL and SGWPL/SPIL transactions, it is noted that the principal transaction events considered in this order occurred substantially during FY 2015-16, when Noticee No. 2 and 3 acted as Non-Executive Directors. In the absence of specific material brought out on record establishing their individual role in the accounting treatment, approval,

certification, publication or dissemination of financial statements / disclosures relating to SEFL and SGWPL/SPIL as regards Noticee-2 and 3 and relating to SBLC/AERH issue as regards Noticee-3, their liability is not conclusively established in respect of the said transactions. Accordingly, the finding against Noticee No. 2 is confined to the OMS transaction chain and the SBLC/AERH disclosure issue and the finding against Noticee No. 3 is confined to the OMS transaction chain, as recorded above.

146. As regards Noticee No. 2, Vinod R. Tanti, it is noted that he was a Non-Executive Director during FY 2013-14 to FY 2015-16, Chief Operating Officer during FY 2016-17, and Whole-time Director and Chief Operating Officer from FY 2017-18 onwards. The finding against him is therefore not based on his designation alone. It is based on his senior managerial / executive capacity during the later part of the OMS transaction chain and during the period relevant to the SBLC/AERH disclosure issue.

147. In view of the findings already recorded in respect of the OMS transaction chain and the SBLC/AERH disclosure issue, I note that Noticee No. 2 is liable in respect of the said transactions. His liability arises from his position in SEL during the relevant periods and from the publication / dissemination of financial statements and disclosures which, for the reasons recorded above, did not present the act of the transactions which could not have taken place without him playing an active part in it.

148. As regards Noticee No. 3, Girish R. Tanti, it is noted that he was a Non-Executive Director during FY 2013-14 to FY 2015-16, Executive Director during FY 2016-17, and Non-Executive Director thereafter. The finding against him is confined to the OMS transaction chain. This is because the said transaction chain continued into FY 2016-17, when he held the position of Executive Director. The finding is therefore based on his capacity during the relevant part of the OMS transaction chain and not merely on any

vicarious liability for acts of SEL. In view of the findings already recorded in respect of the OMS transaction chain, Noticee No. 3 is liable in respect of the said transaction.

149. In view of the findings recorded above, Noticee Nos. 2 and 3 are liable for violations of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act; Regulations 4(2)(f) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c)(1) of the PFUTP Regulations; Clause 41(I)(a) of the erstwhile Listing Agreement read with Section 21 of the SCRA; and Regulations 4(1)(a), 4(1)(b), 4(1)(e) and 48 of the LODR Regulations for the relevant period, subject to the transaction-wise attribution recorded above.

150. As regards Noticee No. 4, Kirti J. Vagadia, it is noted that he was a Group Chief Finance Officer of SEL during FY 2015-16 and FY 2017-18. The findings recorded above in respect of FY 2015-16 financial statements / disclosures and the FY 2017-18 SBLC/AERH disclosure issue are therefore considered against him with reference to his finance function and senior management responsibility during the relevant periods. The FY 2015-16 findings include the OMS-related transfer of SEL's stake in SGSL to SSL and recognition of further profit of Rs.829.78 crore, the SEFL transactions, and the SGWPL/SPIL transaction chain. These matters directly concerned the financial reporting and disclosure of SEL during the period when Noticee No. 4 held the senior finance position. Further, the SBLC/AERH issue arose in FY 2017-18, when the SBLC exposure of USD 569.40 million, equivalent to approximately Rs.4,050 crore, was treated as an insurance contract under Ind AS 104 and was not shown in the contingent liability note. The said accounting / disclosure treatment also directly concerned SEL's financial reporting and disclosure function during the period when Noticee No. 4 was Group Chief Finance Officer. Therefore, Noticee No. 4 is liable in respect of the FY 2015-16 financial statements / disclosures as well as the FY 2017-18 SBLC/AERH disclosure issue, to the extent recorded above.

151. Accordingly, Noticee No. 4 is liable for the violations arising from the FY 2015-16 financial statements / disclosures, including the OMS-related SGSL-to-SSL transfer, SEFL transactions and SGWPL/SPIL transaction chain, and also for the FY 2017-18 SBLC/AERH disclosure issue. Therefore, he is in violation of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act; Regulations 3(b), 3(c) and 3(d), and Regulations 4(2)(f) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c)(1) of the PFUTP Regulations; para V of Clause 49 of the erstwhile Listing Agreement read with Section 21 of the SCRA for the FY 2015-16 financial statements / disclosures; and Regulations 4(1)(a), 4(1)(b), 4(1)(e), 17(8) read with Part B of Schedule II and Regulation 48 of the LODR Regulations for the FY 2017-18 SBLC/AERH disclosure issue.

152. As regards Noticee No. 5, Amit Agarwal, it is noted that he was Chief Financial Officer of SEL during FY 2013-14 and continued as Chief Financial Officer in FY 2014-15 until his resignation with effect from August 01, 2015. The allegations against him arise in relation to the FY 2013-14 OMS transaction and the financial statements / governance disclosures founded upon the OMS-related profit and net worth presentation discussed under Issue I. The findings as recorded under Issue I show that, during FY 2013-14, SEL recognised profit of Rs.1,922.92 crore on the OMS transaction and presented enhanced net worth of Rs.2,663.96 crore instead of Rs.741.04 crore, while the consideration was not realised in the manner and timeline contemplated by the transaction documents. The Para V of Clause 49 of the erstwhile Listing Agreement concerns certification by the CEO/ Managing Director/Manager and CFO/whole-time Finance Director regarding the review of financial statements and absence of materially untrue statements or omissions. In view of his position as CFO during FY 2013-14, liability of Noticee No. 5 stands established in relation to the OMS-related financial statements and disclosures for FY 2013-14.

153. Accordingly, I find that Noticee No. 5 is liable for the violations arising from the FY 2013-14 financial statements / disclosures, including violations of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act; Regulations 3(b), 3(c) and 3(d), and Regulations 4(2)(f) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c)(1) of the PFUTP Regulations of the SEBI Act; and para V of Clause 49 of the erstwhile Listing Agreement read with Section 21 of the SCRA for the relevant period.

154. In view of the above, the individual Noticees are liable for the violations recorded against them on the basis of their responsibility during period of association with the relevant transactions and disclosures. The findings against the individual Noticees are not founded on Section 27 of the SEBI Act. They are based on the direct application of Section 12A of the SEBI Act, the PFUTP Regulations, the applicable provisions of the LODR Regulations and the erstwhile Listing Agreement, as discussed in this order, to the facts and capacities during the relevant period attributed to each of them.

Imposition of Monetary Penalty

155. In view of the violations as concluded above, the Noticees are liable for imposition of penalty under the relevant provisions of the SEBI Act and the SCRA. The violations of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act and Regulations 3(b), 3(c), 3(d), 4(2)(f) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c)(1) of the PFUTP Regulations attract penalty under Section 15HA of the SEBI Act. The violations of Regulations 4(1)(a), 4(1)(b), 4(1)(e), 17(8) read with Part B of Schedule II and Regulation 48 of the LODR Regulations attract penalty under Section 15HB of the SEBI Act. The violations of Clause 41(I)(a) and para V of Clause 49 of the erstwhile Listing Agreement read with Section 21 of the SCRA attract penalty under Section 23H of the SCRA, in view of the corrigendum dated March 12, 2025.

156. As regards Noticee Nos. 1 to 4, they are liable for penalty under Sections 15HA and 15HB of the SEBI Act and Section 23H of the SCRA, to the extent of the violations recorded against them in this order. As regards Noticee No. 5, he is liable for penalty under Section 15HA of the SEBI Act and Section 23H of the SCRA, to the extent of the violations recorded against him in this order. The aforementioned provisions are as follows:

SEBI Act, 1992

Penalty for fraudulent and unfair trade practices.
15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakhs but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

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

SCRA, 1956
Penalty for contravention where no separate penalty has been provided.
23H. Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognized stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

157. In view of the above, I find that the violations established against the respective Noticees attract monetary penalty under the penal provisions specified above. The quantum of penalty is considered in light of the findings recorded in this order and the factors referred to in Sections 15J of the SEBI Act and 23J of the SCRA as stated below.

158. While determining the quantum of penalty, I have referred to the factors under Section 15J of the SEBI Act and Section 23J of the SCRA. In this regard, the

Noticees have submitted that no disproportionate gain or unfair advantage has been made, that no loss to investors has been established, and that there is no repetitive default. It is noted that the material on record may not quantify disproportionate gain or investor loss. However, the absence of quantification of gain or loss does not dilute the seriousness of the violations where the conduct concerns publication and dissemination of financial statements and disclosures of a listed entity which did not fairly present the nature, effect and financial impact of material transactions.

159. The nature of the violations, the amounts involved, the materiality of the transactions to SEL's reported profitability, net worth, in the financial statements, the period over which the financial statements and disclosures remained relevant to investors, and the importance of accurate and genuine financial reporting in the securities market are relevant factors in determining penalty. I note that, the violations established in this order are serious in nature as they relate to financial statements and disclosures of a listed entity, which constitute the basis on which investors and market participants assess the financial position and prospects of such entity.

H. ORDER

160. In exercise of powers under Section 15-I(3) of the SEBI Act and Section 23-I(3) of SCRA, the adjudication order dated June 27, 2025 passed by the Adjudicating Officer against the Noticees herein in the matter of Suzlon Energy Limited is hereby set aside.

161. In view of the findings recorded in the paragraphs above, I hold that the violations noted therein stand established against the respective Noticees. In exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposition of Penalties) Rules, 1995 and Section 23-I of the SCRA, 1956

read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposition of Penalties) Rules, 2005, I impose the following penalties:

Noticees	Penal provisions	Penalty	Total Penalty
Noticee No. 1 – Suzlon Energy Limited	Section 15HA of the SEBI Act.	15 Crore	15.95 Crore
	Section 15HB of the SEBI Act.	75 lakhs	
	Section 23H of the SCRA.	20 lakhs	
Noticee No. 2 – Vinod R. Tanti	Sections 15HA of the SEBI Act.	5.25 Crore	5.75 Crore
	Section 15HB of the SEBI Act.	40 lakhs	
	Section 23H of the SCRA.	10 lakhs	
Noticee No. 3 – Girish R. Tanti	Sections 15HA of the SEBI Act.	5 Crore	5.45 Crore
	Section 15HB of the SEBI Act.	35 lakhs	
	Section 23H of the SCRA.	10 lakhs	
Noticee No. 4 – Kirti J. Vagadia	Section 15HA of the SEBI Act.	1 Crore	1.5 Crore
	Section 15HB of the SEBI Act.	40 lakhs	
	Section 23H of the SCRA.	10 lakhs	
Noticee No. 5 – Amit Agarwal	Section 15HA of the SEBI Act.	20 lakhs	30 lakhs
	Section 23H of the SCRA.	10 lakhs	

162. In the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the violations committed by the Noticees.

163. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of 'SEBI - Penalties Remittable to Government of India', payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT > Orders > Orders of Chairman/ Members > PAY NOW. In

case of any difficulty in online payment of penalty, the Noticee(s) may contact the support of portalhelp@sebi.gov.in.

164. The Noticees shall forward the said demand draft or the details/confirmation of penalty so paid to 'The Division Chief (Enforcement Department 1, DRA-1), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C–4 A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai– 400051' and also to e -mail id: tad@sebi.gov.in. The Noticees shall also provide the following details while forwarding the demand draft/payment information:

- Name and Income Tax Permanent Account Number of the Noticees;
- Name of the case/matter;
- Purpose of Payment – Payment of penalty under AO proceedings;
- Bank Name and Account Number;
- Transaction Number.

165. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

166. In terms of Rule 6 of the SEBI (Procedure for Holding Inquiry and Imposition of Penalties) Rules, 1995, a copy of this order is being sent to each of the Noticees.

SANDIP PRADHAN
Digitally signed by SANDIP PRADHAN
Date: 2026.05.29 15:52:01 +05'30'

May 29, 2026 **Sandip Pradhan**

Mumbai **Whole Time Member**