IN THE SECURITIES APPELLATE TRIBUNAL
AT MUMBAI

DATED THIS THE 26TH DAY OF NOVEMBER, 2026

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

Appeal No.949 of 2023

Madhav Power Private Limited
Madhav House, Nr. Panchratna
Building, Subhanpura,
Vadodara, Gujarat-390023. …..Appellant

(By Mr. Prakash Shah, Senior Advocate with Mr. Rushin Kapadia and Ms. Rinku Valanju, Advocates i/b. R. V. Legal for the Appellant.)

1. Securities and Exchange Board of India
   SEBI Bhavan, Plot No.C4-A, 'G' Block,
   Bandra Kurla Complex, Bandra (East),
   Mumbai – 400051.

2. Madhav Confra Consultancy
   Private Ltd.
   Plot No.4 Madhav House,
   Panchratna Subhanpura Vadodra. …..Respondents

(By Mr. Sumit Rai, Advocate with Mr. Nitin Jain and Ms. Prapti Kedia, Advocates i/b. Agama Law Associates for the Respondent Nos. 1 (SEBI).

Mr. Monil Punjabi, Advocate i/b. Mr. Vikas Bengani, Advocate for the Respondent Nos.2. (Madhav Confra Consultancy Private Limited.)

THIS APPEAL IS FILED UNDER SECTION 15T OF THE SEBI ACT, 1992 PRAYING NOT TO TAKE ANY COERCIVE STEPS AGAINST THE APPELLANT IN THE RECOVERY PROCEEDINGS OF SHANKESHWAR METALS PRIVATE LIMITED.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON NOVEMBER 16, 2026 COMING ON FOR PRONOUNCEMENT OF ORDER THIS DAY, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

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

This appeal is filed with a prayer *inter alia* to direct SEBI not to take any coercive steps against the appellant in the recovery proceedings of Shankeshwar Metals Private Limited.

2. We have heard Mr. Prakash Shah, learned Senior Advocate for the appellant and Mr. Sumit Rai, learned Advocate for the SEBI.

3. Brief facts of the case are, the Adjudicating Officer of SEBI vide order dated 31.12.2015 had imposed a penalty of ₹1 Crore against Shankeshwar Metals Private Limited ('Shankeshwar Metals' for short) for violation of SEBI (SAST) Regulations[1].

4. Pursuant to a scheme[2] of amalgamation sanctioned by the Hon'ble High Court of Gujarat, nine entities including Shankeshwar Metals merged into Madhav Power Private Limited ('Madhav Power/appellant Company' for short).

5. Madhav Power challenged SEBI's order imposing the penalty of ₹1 Crore against Shankeshwar Metals before this Tribunal[3] and the same was dismissed. The Civil Appeal No.2981 of 2022 filed in the Hon'ble Supreme Court of India challenging this Tribunal's order also stood dismissed. In the result, the penalty imposed by the SEBI attained finality. SEBI initiated recovery proceedings against Madhav Power and the same is challenged in this appeal.

6. Mr. Prakash Shah, learned Senior Advocate for the appellant submitted that:

- The notice of demand was not served upon the appellant;

[1] SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
[2] Under Section 391 – 394 of Companies Act sanctioned on 14.12.2016 with the appointed date as 01.04.2015 in Company Petition No.330 of 2016 in the Hon'ble High Court of Gujarat.
[3] In Appeal No.69 of 2018

- A scheme of arrangement, merger or demerger once sanctioned by a competent court is a statutory contract binding on all stakeholders. The interpretation of its terms is governed by the text of the scheme and SEBI cannot give its own interpretation;

- The demerger scheme (Clause 4.1.4) transferred all liabilities relatable to demerged undertaking to Madhav Confra Consultancy Private Limited ('Madhav Confra' for short); and

- The definition of 'demerged undertaking' in the scheme is unambiguous and includes all properties, investments, debts, liabilities of the nine merged entities including Shankeshwar Metals and thus what remained with Madhav Power pursuant to demerger scheme is the remaining business i.e. the activities and operations pertaining to logistic service business and all assets and liabilities of Madhav Power related to such business.

7. With the above main contentions, Mr. Shah, in substance, argued that business undertaking identifiable with Shankeshwar Metals was transferred to Madhav Confra and therefore, Madhav Power was not liable to pay the penalty imposed by the SEBI on Shankeshwar Metals.

8. In reply, Mr. Rai, learned Advocate for SEBI submitted that Madhav Power's conduct all throughout showed that it had accepted Shankeshwar Metals' liability. To substantiate this contention, he pointed out that:

- Madhav Power had challenged the penalty imposed against Shankeshwar Metals by the SEBI in Appeal No.69 of 2018 before this Tribunal;

- Madhav Power challenged this Tribunal's order dismissing the Appeal No.69 of 2018 before the Hon'ble Supreme Court of India;

- Even as late as 10.10.2023, Madhav Power paid a penalty of ₹5.81 Lakhs imposed on Shankeshwar Metals in another matter. In the email written to the SEBI, appellant represented itself as 'Shankeshwar Metals Private Limited' (amalgamated with Madhav Power Private Limited).

9. Adverting to Clause 1.9 of the amalgamation scheme approved by the Hon'ble High Court of Gujarat, Mr. Rai submitted that the scheme clearly defines the 'Undertakings' of Transferor Companies as 'all the assets and the liabilities' of transferor companies on the appointed date. Adverting to Clause 3 of the scheme, he submitted that the undertakings of the transferor companies stood transferred or vested in the transferee company, namely, Madhav Power.

10. Adverting to Clause 6 of the scheme, he submitted that the proceedings could be continued as if there was no scheme of amalgamation. He further submitted that the scheme also provided that the transferee company could initiate legal proceedings 'for and on behalf' of the transferor company in its own name.

11. Mr. Rai also relied upon Explanations 1 and 2 to Section 19AA of the Income Tax Act, 1961 and argued that an 'undertaking' shall include any part of the undertaking or a unit or a business but does not include individual assets or liabilities not constituting a business activity.

12. Mr. Rai further contended that appellant's reliance on 'demerger' is misleading because merger was approved in 2016 with the effective date as 01.04.2015, which in law meant that the nine entities or undertakings which merged into Madhav Power 'dissolved' into it. Thereafter, certain undertakings were demerged from Madhav Power into Madhav Confra. He submitted that:

- The penalty imposed by SEBI for non-disclosure had no connection with the undertaking or the business and it is a statutory liability;

- It is expressly stated in the order passed by the Hon'ble High Court of Gujarat approving the scheme of amalgamation that the statutory liability shall survive and the scheme shall not absolve the transferor companies from the statutory liabilities, if any;

- The demerger scheme sanctioned in 2021 also provides that the appellant shall comply with all the applicable laws and no statutory liability shall be absolved on sanction of the scheme;

- Clause 9.3 of the demerger scheme provides that proceedings in relation to demerged undertaking would be taken over by Madhav Confra. In the instant case, Madhav Power has consciously filed the Civil Appeal before the Hon'ble Supreme Court of India which clearly shows that the liability in question is a statutory liability and Madhav Power had accepted the same.

13. With regard to appellant's contention of non-service of notice, Mr. Rai submitted that the notice of demand was served upon the appellant on 13.06.2023 by email at secretarial@madhavcorp.com and by post on 17.06.2023.

14. We have carefully considered rival contentions and perused the records.

15. At the outset, we may record that appellant's case is, pursuant to demerger, the undertaking was transferred to Madhav Confra, the said entity was not arrayed as a party in this proceeding. However, it was later added as a respondent as per our directions. Madhav Confra has filed its reply stating *inter alia* that it is appellant's wholly owned subsidiary; that it has not received any communication from SEBI and it has no comment to offer in respect of recovery proceedings.

16. In the light of the facts recorded hereinabove, the point that arises for consideration is, ***whether the recovery proceedings initiated against Madhav Power are maintainable?***

17. Undisputed facts of the case are, the penalty of ₹1 Crore imposed against Shankeshwar Metals by the SEBI has attained finality. Shankeshwar Metals merged with Madhav Power as per the scheme of amalgamation passed by the Hon'ble High Court of Gujarat.

18. Appellant's main contention is, as defined in the demerger scheme the 'demerged undertaking' included the properties, investments, all debts and liabilities pertaining to the undertakings including that of Shankeshwar Metals and what remained with Madhav Power was only the logistics service business and all assets and liabilities related to the said business. In substance, appellant's argument is, though nine entities

merged into Madhav Power, there was a simultaneous demerger which provided that all the assets and liabilities of Madhav Power except the logistics business stood transferred to Madhav Confra.

19. Shankeshwar Metals and other entities merged into Madhav Power as per Clause 3 of the scheme sanctioned by the Hon'ble High Court of Gujarat. The following portion of the Hon'ble High Court's order is relevant:

> *"21. In view of the above, the Scheme of Amalgamation is sanctioned subject to the order that in Clause 13.4 of the Scheme, the words "and change in the object clause" shall stand deleted. It is further directed that the petitioner Transferor Companies shall preserve their books of accounts, papers and record and shall not to dispose of the records without the prior permission of the Central Government under Section 396 A of the Companies Act, 1956.* ***It is further observed that the sanction of Scheme shall not absolve the Transferor this Companies from statutory liability, if any****."*
>
> *(Emphasis supplied)*

20. Clause 6 of the scheme deals with the legal proceedings. It is provided in the scheme that on and from the effective date, the transferee company namely, Madhav Power may initiate any legal proceedings in its own name. Clause 14 of the scheme provides that Shankeshwar Metals and other transferor companies stood dissolved without winding up. A combined reading of Clause 3.3 and Clause 14 clearly shows that Shankeshwar Metals stood dissolved and all its debts, liabilities stood transferred into Madhav Power. All this has happened on 14.12.2016 with effective date as 01.04.2015.

21. In terms of Clause 6 of the scheme, Madhav Power challenged SEBI's penalty order before this Tribunal in Appeal No.69 of 2018 and the said appeal stood dismissed on 23.02.2021. After a lapse of more than one year i.e. on 07.03.2022, appellant challenged this Tribunal's order in Civil Appeal No.2981 of 2022 before the Hon'ble Supreme Court of India. It was argued by Mr. Rai that appellant's conduct clearly indicated that the parties had correctly understood the terms of the scheme and had accordingly acted based on which, appellant laid challenge to the SEBI's penalty order in this Tribunal. This argument was sought to be countered by Mr. Shah contending *inter alia* that there is no estoppel against statute. As per the demerger scheme, the undertakings were transferred to Madhav Confra. Therefore, appellant's conduct to protect Shankeshwar Metals' rights cannot be construed as acquiescence. This argument is too fragile to be countenanced because the merger scheme provided that Shankeshwar Metals and other entities stood dissolved and their liabilities stood transferred to Madhav Power. Admittedly, Madhav Power initiated legal proceedings before this Tribunal and pleaded that 'Shankeswar Metals was known as Madhav Power'. In the Civil Appeal filed before the Hon'ble Supreme Court of India, appellant No.7 is described as '**Shankeshwar Metals Pvt. Ltd. now known as Madhav Power Private Limited**'.

22. It is relevant to note that the demerger scheme provides that 'any question' with regard asset or liability shall be decided by the 'Board of Directors' of Madhav Power or any committee thereof. The relevant clause reads thus:

> *"Any question that may arise as to whether a specific asset (tangible or intangible) or any liability pertains or does not pertain to the Demerged Undertaking or whether it arises out of the activities or operations of the Demerged Undertaking or not, shall be decided by the Board of Directors of MPPL or any committee thereof"*

23. The demerger scheme also provides that no statutory liability shall be absolved on sanction of the scheme. The relevant provision in the scheme reads thus:

> ***"18.1 The MPPL will comply all the applicable Law and no Statutory Liability shall be absolved on sanction of scheme."***

24. Thus, when nine entities merged into Madhav Power, the Hon'ble High Court of Gujarat has made it clear that the scheme shall not absolve the transferors of their statutory liabilities. As noted above, the demerger scheme also makes it clear that appellant (Madhav Power) shall not be absolved of any statutory liability. Once Shankeshwar Metals got dissolved into Madhav Power, Madhav Power became liable to discharge the statutory liabilities of Shankeshwar Metals. Though it was strenuously canvassed by the appellant that post demerger, appellant shall not be liable for any statutory liability, in the teeth of Clause 18.1 of the demerger scheme noted above, such argument fails.

25. SEBI has appended email dated 11.10.2023, in which Madhav Power has confirmed having paid a penalty of ₹5.81 Lakhs imposed against Shankeshwar Metals in another[4] proceeding. It is relevant to note that AO, SEBI's order imposing the said penalty is subsequent to the date of demerger. After receiving the said penalty of ₹5.81 Lakhs, on 11.10.2023, the AGM[5] of SEBI wrote to the appellant stating that there was another outstanding due as per recovery certificate RC4048 of 2021, which is the subject matter in this appeal. On 03.11.2023, the AGM, SEBI sent another mail to the appellant attaching the demand notice. The exchange of emails reads thus:

"From:	*ABHISHEK KOTHARI*
Sent:	*03/11/2023 12:58*
To:	*'secretarial'*
Cc:	*Recovery wro; N RAJU*
Subject:	*RE: Payment against Certificate no.RC7129/2023 dated September 08, 2023 of Shankeshwar Metals Pvt. Ltd. (Amalgamated with Madhav Power Private Limited) PAN - AAGCM5309P*
Attachments:	*RC 4048 of 2021.pdf*

Dear Sir

Please see the trailing email and attached Notice of Demand for RC 4048 of 2021.
Please inform the details of payment made at the earliest.

Regards
Abhishek Kothari

[4] Order passed by Adjudication Officer, SEBI, in the matter of Sun and Shine Worldwide Limited vide order dated 30.06.2022
[5] Assistant General Manager

From: ABHISHEK KOTHARI
Sent: 11/10/2023 12:27
To: 'secretarial' secretarial@madhavcorp.com
Cc: Recovery wro <recoverywro@sebi.gov.in>; N RAJU <rajunu@sebi.gov.in>
Subject: RE: Payment against Certificate no. RC7129/2023 dated September 08, 2023 of Shankeshwar Metals Pvt. Ltd. (Amalgamated with Madhav Power Private Limited) PAN - AAGCM5309P

Dear Sir,

Please note that there is another outstanding due pending to be paid in respect of Recovery Certificate 4048/2021 against the entity. The said Notice of Demand for RC 4048 of 2021 is attached herewith.

Kindly pay the full amount together with interest till date immediately as per account details mentioned in the Notice of Demand.

Regards
Abhishek Kothari
AGM
079- 2746 7024
079- 2746 7028

From: secretarial [mailto:secretarial@madhavcorp.com]
Sent: 11/10/2023 12:13
To: Recovery wro <recoverywro@sebi.gov.in>; N RAJU <rajunu@sebi.gov.in>; ABHISHEK KOTHARI <abhishek@sebi.gov.in>
Subject: Payment against Certificate no. RC7129/2023 dated September 08, 2023 of Shankeshwar Metals Pvt. Ltd. (Amalgamated with Madhav Power Private Limited) PAN - AAGCM5309P

Respected Sir,

Please find herewith the details of payment against Certificate no. RC7129/2023 dated September 08, 2023 of Shankeshwar Metals Pvt Ltd. (Amalgamated with Madhav Power Private Limited) PAN - AAGCM5309P

Case Name and Recovery Certificate NO.	*Penalty imposed by the Adjudicating Officer vide order no Order/PM/NS/2022-23/17548-17566 dated June 30, 2022 in the matter of Sun and Shine Worldwide Ltd.* *Recovery Certificate NO. - RC7129/2023*
Name of Payer	*Shankeshwar Metals Pvt Ltd. (Amalgamated with Madhav Power Private Limited) paid by Madhav Power Private Limited.*

Date of Payment	*10/10/2023*
Amount Paid	*5,81,000 (Five Lakh Eighty-One Thousand only)*
Transaction no.	*UTR NO. - IBKLR92023101000030312*
Bank Details (Bank Name, Branch Name, IFSC Code, and account no) from which payment is made	*IDBI Bank, Alkapuri Branch, Vadodara,* *IFSC - IBKL0000021,* *Account no. - 0021102000031435*

Furthermore, we request you to remove the attachment (unfreeze) of Demat account of Madhav Power Private Limited.

Please confirm the receipt of the same.

Thanks & Regards

Secretarial Dept.
Madhav Power Private Limited.
CIN No. - U40100GJ2010PTC059776
Madhav House, Plot No. 4
Near Panchratna Building, Subhanpura, Vadodara
Gujarat 390023
M: (+91) 7226988829"

26. It was urged by learned Senior Advocate for the appellant that appellant's conduct of participating in the subsequent proceedings cannot be construed as validating jurisdictional defect and there is no estoppel against law. But a combined reading of the order passed by the Hon'ble High Court of Gujarat and the merger and demerger schemes coupled with appellant's conduct clearly shows that appellant Madhav Power accepted the liability of Shankeshwar Metals and unsuccessfully challenged the same before this Tribunal and the Apex Court. In our view, there is no scope for any other interpretation and appellant's argument in this behalf fails.

27. One another contention urged by the appellant is with regard to service of notice and it is noted only to be rejected. The email extracted hereinabove shows that the recovery certificate has been served upon the appellant.

28. In the light of above discussion, we answer the point for consideration in the ***affirmative***.

29. Resultantly, this appeal fails and it is accordingly ***dismissed***.

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

31. No costs.

Justice P.S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

26.11.2026
RHN

RAJALAKSHMI H NAIR
Digitally signed by RAJALAKSHMI H NAIR
Date: 2026.11.27 15:30:11 +05'30'