

SAT Upholds SEBI Interim Order Barring Essel Group Chairman Subhash Chandra, Punit Goenka from Holding Directorial Posts

Order Date: 10 July 2023

The **Securities Appellate Tribunal (SAT)** upheld an interim order passed by **Securities and Exchange Board of India (SEBI)** barring **Essel Group Chairman Subhash Chandra** and Chief Executive Officer (CEO) of **Zee Entertainment Enterprises Limited (ZEEL) Punit Goenka** from holding directorial or key managerial posts in listed companies.

The bench of **Justice Tarun Agarwala (Presiding Officer)** and **Meera Swarup (Technical Member)** said, *“We do not find any reason to interfere in the impugned order at this stage and we dispose of the appeals directing the appellants to file a reply/ objection along with a stay vacating application to the ex parte ad interim order dated June 12, 2023 within two weeks from today.”*

The Tribunal directed SEBI to appoint another Whole Time Member (WTM) to consider the objections of the appellants.

A plea was filed by Chandra and Goenka against the interim order of SEBI's Whole Time Member, passed on 12 June, that barred them from holding any director or Key Managerial posts in any listed company or its subsidiaries until further orders.

In the interim order, the SEBI was of the considered view Chandra and Goenka had abused their position as director of a listed company for siphoning off funds for their own benefit. It noted that the Mumbai-based media house had faked the recovery of loans to cover for private financing deals by its founder Subhash Chandra.

The regulator further alleged that the duo engaged in the alienation of assets belonging to Zee Entertainment and other listed companies of the Essel Group, with the aim of benefiting their associate entities.

The counsel for Zee Entertainment argued that the market regulator had no evidence beyond the bank statements to prove the allegations of round-tripping of funds, hence, it cannot pass an ex-parte order.

The SAT rejected that argument of the appellants that no prima facie case existed in passing the impugned order.

The bench observed, *“The contention that the conclusion of siphoning of the funds cannot be arrived at on the basis of the bank statements is an attractive argument but such contention cannot be considered in view of the fact that a prima facie opinion was arrived at based on objective facts indicating diversion of funds from a listed company which was not in the interest of its shareholders and the investors coupled with the fact that no evidence of any sort has been placed before us to show that the prima facie finding is perverse.”*

The SAT highlighted that in order to challenge the prima facie findings in the impugned order regarding the round-tripping of funds by ZEEL through 13 entities within two days objections can be filed before the WTM (Whole Time Member) of SEBI to provide evidence that the funds were used for valid considerations.

The SAT was of the opinion that there was no reason to interfere in the interim order and said, *“we dispose of the appeals directing the appellants to file a reply / objection along with a stay vacating application to the ex parte ad interim order dated June 12, 2023 within two weeks from today.”*

The Tribunal further directed that the WTM shall fix a date for hearing within a week from the date of filing the reply by the appellants and the WTM shall pass appropriate orders within two weeks thereafter after giving the appellants an opportunity of hearing.

However, while noting that the settlement application filed by the appellants was considered by a Committee under the Settlement Regulations in which the WTM was a Member and therefore, there might be a possibility of the WTM being influenced by the discussions that took place in the settlement proceedings.

Thus, in order to remove any kind of bias, the SAT directed SEBI to appoint another WTM to consider the objections of the appellants.

In view of the aforesaid, the appeals were disposed of.

TAGS: #Securites Appellate Tribunal #Essel Group #Zee Entertainment Enterprises Limited #Securities and Exchange Board of India

REFERENCE- <https://www.livelaw.in/news-updates/securities-appellate-tribunal-upholds-sebi-interim-order-essel-group-zee-232454?infinitescroll=1>