WTM/KV/CFID/CFID-SEC4/31660/2025-26

SECURITIES AND EXCHANGE BOARD OF INDIA

EX-PARTE INTERIM ORDER

UNDER SUB-SECTION (1) OF SECTION 11, SUB-SECTION (4) OF SECTION 11, SECTION 11B AND SECTION 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

IN THE MATTER OF PAR DRUGS AND CHEMICALS LIMITED

In respect of:

Noticee	PAN
Par Drugs and Chemicals Limited (PDCL)	AABCP6547M

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A. BACKGROUND

1. Par Drugs and Chemicals Limited (hereinafter referred to as "**PDCL**"/ "**Company**") is a company listed on National Stock Exchange of India Limited (hereinafter referred to as "**NSE**") having its registered office at 815, Nilamber Triumph, Gotri Vasna Road, Vadodara-390007, Gujarat, India. The Company is engaged in the business of development and manufacturing of active pharma ingredients or antacid raw materials and fine chemicals.

2. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") had received a complaint alleging that a proposed slump sale of business by PDCL is not compliant with the applicable law and is prejudicial to the interest of the public shareholders. It was alleged that vide the proposed transaction the core profit making business of the Company is being sold to promoter related entity on a going concern basis at erroneous and reduced valuation and that the proposed transaction had already resulted in erosion of around 70% of the share value of the Company since the decision was made public. It was further alleged that the promoter and management of PDCL are acting in an arbitrary manner to play fraud upon public shareholders through the proposed slump sale.

3. Accordingly, the Competent Authority at SEBI approved initiation of detailed investigation into the matter and an Investigating Authority was appointed on July 07, 2025.

B. PRELIMINARY FINDINGS OF INVESTIGATION

4. From the data available at NSE website, it is found that the PDCL had made an announcement on December 02, 2024 at 17:45 hours regarding the outcome of its board meeting**.** As per the detailed announcement, the Board of Directors of the Company *inter alia* transacted the following business:

   "(i) After the recommendation of Audit Committee, the Board of Directors considered, discussed and approved the Slump Sale of existing establishment

(Land, Building, Plant and Machinery, specific Current Assets and Current Liabilities).

(ii) After the recommendation of Audit Committee, the Board of Directors considered, discussed and approved to directly or indirectly:

i. enter into the business of the Clean and Renewable energy.

ii. venture in to the business of Real-estate and Construction.

iii. make venturing into a Capital Market."

5. Details of the proposed slump sale as required to be disclosed under Paragraph A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") were provided in the Annexure to the said announcement and relevant excerpts from the same are reproduced below:

"(i) The unit proposed to be sold in slump sale contributed INR 95.11 Crores turnover during the previous financial year i.e. FY 2023-24 which amounted to 99.44% of the net revenue from operations. The net-worth of the unit is INR 85.63 Crores.

(ii) The consideration to be received is INR 93 Crores and the slump sale is expected to be completed by March 31, 2025.

*(iii) The buyer is Phal-Jig Fine Chemicals Private Limited (hereinafter referred to as "**PJFCPL**"). The promoters of the buyer entity i.e. PJFCPL are Saritaben Vallabhabhdas Savani and Shilpa Falgunbhai Savani and they are also the part of promoter group of PDCL.*

(iv) The transaction is a related party transaction and the same is at arm's length price. The valuation reports from the Registered Valuers for immovable and moveable fixed assets have been obtained by management of the company and the highest valuation of the unit has been considered by the management of the company.

(v) The sale, lease or disposal of the undertaking is outside Scheme of Arrangement and the Company shall comply with regulation 37A of LODR Regulations.

(vi) Object and Commercial rationale for the slump sale: Looking to the present scenario, the promoters of the company have found more opportunities in the sector of real estate and construction market, capital market and clean energy market as compared to the existing business of the company.

(vii) The Promoters of the company will utilize the proceeds arising out of slump sale into the three different sector as follows:

i. Real Estate and Construction: INR 27 Crores.
ii. Clean Energy Market: INR 25 Crores.
iii. Capital Market: INR 41 Crores."

6. Subsequently, PDCL issued a Notice dated December 06, 2024 for convening Extraordinary General Meeting (hereinafter referred to as "**EGM**") to be held on December 31, 2024 for the purpose of approval of proposed slump sale as described above and to approve amendment to Memorandum of Association (hereinafter referred to as "**MoA**") of the Company to enable PDCL to carry out the new ventures as described above.

7. PDCL disclosed the voting results of the EGM to the stock exchange on January 01, 2025 at 18:04 hours and the summary of the voting results are as follows:

Table no. 1
Voting results of EGM dated January 01, 2025

Resolution	Resolution required	No. of Votes in Favour	No. of Votes against	% of votes in favour	% of votes against
Slump Sale	Special	94,147	1,15,359	44.94	55.06

Resolution	Resolution required	No. of Votes in Favour	No. of Votes against	% of votes in favour	% of votes against
Alteration of MoA	Special	94,222	1,15,284	44.97	55.03

8. From the aforesaid results of EGM, it is seen that both the resolutions were not approved with the requisite majority.

9. Subsequently, on January 11, 2025 at 17:21 hours, PDCL made an announcement regarding the outcome of board meeting that commenced at 15:30 hours and concluded at 17:02 hours on that day. As per the detailed announcement made, the Board of Directors of the Company *inter alia* transacted the businesses relating the slump sale at revised terms and alteration of MoA. All the disclosures were nearly identical to disclosures made in the minutes of the Board Meeting dated December 02, 2024, except few disclosures, excerpts of which are reproduced below:

"(i) Expected date of completion of Slump Sale is 30th September, 2025 to 31st December, 2025 subject to clearance of title deeds, licences, Government approvals, Statutory Approval as may be required from time to time.

(ii) Sale consideration is revised to INR 95 crores with respect to which it was stated that the Board has received the revised offer of INR 95 crores from the Buyer i.e. PJFCPL and which is higher than the previous offer of INR 93 crores and the Board has decided to consider the same subject to the shareholders' approval in the ensuing extra ordinary general meeting of the company.

(iii) The additional sale consideration of INR 2 crores would be allocated to clean energy market."

10. Thereafter, PDCL issued Notice dated January 20, 2025, for EGM to be held on February 12, 2025 for the purpose of approval of slump sale at revised terms as described above and to approve amendment to MoA of the Company enabling the company to carry out the new ventures as described above. The Voting Results of the EGM were disclosed to stock exchange on February 13, 2025 at 14:56 hours and the summary of the voting results are as follows:

Table no. 2
Voting results of EGM dated February 13, 2025

Resolution	Resolution required	No. of Votes in Favour	No. of Votes against	% of votes in favour	% of votes against
Slump Sale	Special	5,82,314	1,65,820	77.84	22.16
Alteration of MOA	Special	5,82,338	1,65,795	77.84	22.16

11. From the aforesaid table, it is seen that both the resolutions were passed with 77.84% votes in favour i.e. more than 2.84% of the requisite majority. Thereafter, vide announcement dated February 14, 2025, PDCL informed that it had entered into a Business Transfer Agreement dated February 14, 2025 with PJFCPL (hereinafter referred to as "**BTA**") for Slump Sale of the existing establishment (Land, Building, Plant and Machinery, Specific Current Assets and Current Liabilities).

C. EXAMINATION ON MERITS

C.1 VALUATION OF SLUMP SALE

12. The EGM notice dated January 20, 2025 for the purpose of approval of slump sale at revised terms states that the consideration for the proposed slump sale of the existing establishment (Land, Building, Plant and Machinery, specific current assets and current liabilities) as recommended by the Board of Directors of PDCL

and its Audit Committee is based on the valuation done by M/s. Nihir Dave and Associates, Registered Valuer and Mr. Nimesh Raval, Government Approved Valuer.

13. The copies of the aforesaid valuation reports, terms of engagement of the aforesaid valuers and the BTA were sought from PDCL. From perusal of the engagement letter and valuation reports, it is observed that the engagement letters do not specify the purpose of valuation or the fact that the valuation was to sell the business through slump sale as a going concern. Further, both the valuers have separately valued six assets of PDCL which form part of the BTA viz. (i) industrial open plot; (ii) non-agriculture open land; (iii) industrial land and building; (iv) two office premises; and (v) plant and machinery. Thus, a total of 12 valuation reports for six properties have been issued by the aforesaid two valuers.

14. In the EGM Notice dated January 20, 2025, the fair values arrived of the aforesaid properties have been aggregated to arrive at total fair value as per the valuation reports by two valuers and the higher of these two have been taken as arm's length value of the assets. To such arm's length value, the book value of other assets of the unit (such as furniture and fixtures, water storage tank, laboratory equipments, vehicles, etc.) as well as book values of current assets have been added and book values of the current liabilities have been deducted to arrive at the total net value of slump sale of unit which is INR 92.88 Crores. The total consideration for slump sale is proposed at INR 95 crores and the difference of INR 2.12 crores has been shown as additional value as per revised offer given by the PJFCPL.

15. In order to enable investors to make well-informed investment decisions, LODR Regulations mandate timely, adequate and accurate disclosure of information on an ongoing basis. To ensure uniformity in disclosures made by listed entities Regulation 30 of the LODR Regulations requires disclosure of material events by every listed entity whose specified securities are listed and regulation 30A of the LODR Regulations require disclosure of certain types of agreements binding listed

entity. Accordingly, listed entities are required to make disclosure of events specified in Part A of Schedule III of the LODR Regulations read with the Master Circular no. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 (hereinafter referred to as "**LODR Master Circular**").

16. As per the provisions of Chapter V read with Annexure-18 of the LODR Master Circular, in case of sale of unit(s) or division(s), whole or substantially the whole of the undertaking(s), certain details are to be provided while disclosing events given in Part A of Schedule III of the LODR regulations. The aforesaid provisions are reproduced below for ease of reference:

"Annexure 18

Details to be provided while disclosing events given in Part A of Schedule III of the LODR Regulations

A. Details which a listed entity needs to disclose for the events that are deemed to be material as specified in Para A of Part A of Schedule III of the LODR Regulations

1.1……….

1.2……….

1.3………

1.4. Sale or disposal of unit(s) or division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the listed entity, sale of stake in the associate company of the listed entity:

a) the amount and percentage of the turnover or revenue or income and net worth contributed by such unit or division or undertaking or subsidiary or associate company of the listed entity during the last financial year;

b) date on which the agreement for sale has been entered into;

c) the expected date of completion of sale/disposal;

d) consideration received from such sale/disposal;

e) brief details of buyers and whether any of the buyers belong to the promoter/ promoter group/group companies. If yes, details thereof;
f) whether the transaction would fall within related party transactions? If yes, whether the same is done at "arm's length";
g) whether the sale, lease or disposal of the undertaking is outside Scheme of Arrangement? If yes, details of the same including compliance with regulation 37A of LODR Regulations.
h) in case of a slump sale, indicative disclosures provided for amalgamation/merger, shall be disclosed by the listed entity with respect to such slump sale.

For the purpose of this sub-clause, "slump sale" shall mean the transfer of one or more undertakings, as a result of the sale for a lump sum consideration, without values being assigned to the individual assets and liabilities in such sales."

17. The term 'slump sale' is also defined in the Income-Tax Act, 1961 (hereinafter referred to as "**ITA**") under sub-section 42C of section 2 as under:

"(42C) "slump sale" means the transfer of one or more undertaking, by any means, for a lump sum consideration without values being assigned to the individual assets and liabilities in such transfer.

18. From perusal of the BTA dated February 14, 2025 between PDCL and PJFPCL for sale of business as going concern, it is seen that recital (d) of the BTA states as follows:

"The Parties desire that the Seller has agreed to sell / transfer / convey to the Purchaser, and the Purchaser purchase and acquire the Business Undertaking from the Seller, on a going concern basis by means of a "slump sale" (as defined in Section 2 (42C) of the Income Tax Act, 1961), for a lump sum

consideration and subject to the other terms and conditions specified in this Agreement."

19. Hence, it is clear from the contents of the BTA that what is intended to be transferred is not a mere aggregation of land, building, plant and machinery, and current assets, but the entire business undertaking of PDCL on a going concern basis by means of slump sale. Further, in sub-clause (viii) of clause 1 of the BTA, the "Business Undertaking" has been expressly defined as follow:

""Business Undertaking" or "Undertaking", means the undertaking of the Seller named 'Par Drugs and Chemicals' engaged in the Business, consisting of the following:

a) Immovable and movable assets/ property and Business Assets of the Business Undertaking as set forth in Part 1 of Schedule 1 of this Agreement;

b) Book debts, advances, deposits, credits (including indirect taxes Input tax credits, withholding tax credits, prepaid taxes), receivables, (including, without limitation, accounts receivables) of the Business Undertaking as set forth in Part 1 of Schedule 1 of this Agreement;

c) Liabilities of the Seller which pertain to the Business Undertaking as set forth in Part 2 of Schedule 1 of this Agreement;

d) Assumed Contracts, including all purchase orders, rights under the Assumed Contracts, claims and demands of any nature available to the Seller, and all liabilities and obligations in this regard;

e) Intellectual Property;

f) Employees, listed in as per records of HR Department as on the Closing Date, on the same terms and conditions of service (including social security obligations) as they are employed by the Seller, including as to length and continuity of service

g) Technical or other information if any used primarily in connection with (a) to (f) above and as agreed between the Parties on or prior to the Closing Date, *such as management information systems, customer contacts, drawings, sketches and blueprints, maps and manuals (the "Technical Information")."*

20. It is seen that the BTA clearly intends to transfer the whole business undertaking as a going concern which includes Immovable and movable assets, assumed contracts, Intellectual Property, Employees and Technical or other information. However, the valuation reports are confined to fair market valuation of individual six physical assets (industrial open plot, non-agriculture open land, industrial land and building, two office premises and plant and machinery) only , with book values of other assets (such as furniture and fixtures, water storage tank, laboratory equipments, vehicles, etc.), book values of current assets and liabilities adjusted to arrive at the net figure.

21. Thus it is *prima facie* seen that no value has been attributed to intangibles, employees, goodwill, brand and technical information. The valuation method adopted by PDCL implicitly assumes that the transfer of business undertaking includes only the tangible assets which is not consistent with the valuation standards applicable for valuation of profitable business undertaking on a going concern basis by way of slump sale. The exclusion of these core business components *prima facie* results in understatement of true value of business being transferred.

22. Further, the engagement letters and the valuation reports do not mention that the valuation is for slump sale of a profitable going concern. The valuation approach adopted by valuers treats the transaction as if it were a mere sale of six separate assets and not revenue-generating going concern. In order to understand the financial metrics of PDCL, the data for the latest five financial years and five quarters is as follows:

Table no. 3
Annual profit and loss made by PDCL (Figures in INR Crores)

Particulars	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	61	75	96	96	101
Expenses	45	59	78	73	81
Operating Profit	**16**	**16**	**18**	**23**	**20**
Operating Profit Margin	26%	22%	19%	24%	19%
Other Income	2	0	0	0	2
Interest	1	0	0	0	0
Depreciation	3	3	3	3	4
Profit before tax	**15**	**13**	**15**	**20**	**18**
Net Profit	**12**	**9**	**11**	**14**	**13**
Earnings Per Share (in INR)	9.44	7.49	9.21	11.78	10.86

Table no. 4
Quarterly profit and loss made by PDCL (Figures in INR Crores

Particulars	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Sales	22.61	34.66	21.38	22.33	26.05
Expenses	18.37	23.25	19.95	19.9	22.49
Operating Profit	**4.24**	**11.41**	**1.43**	**2.43**	**3.56**
OPM %	18.75%	32.92%	6.69%	10.88%	13.67%
Other Income	0.07	1.02	0.27	0.79	1.84
Interest	0.02	0.03	0.01	0.02	0.02
Depreciation	0.9	0.91	0.91	0.92	0.9
Profit before tax	**3.39**	**11.49**	**0.78**	**2.28**	**4.48**
Net Profit +	**2.53**	**8.6**	**0.58**	**1.65**	**3.33**
EPS in Rs	2.06	6.99	0.47	1.34	2.71

23. From the aforesaid tables, it is seen that PDCL has recorded a positive operating profit and net profit consistently over the past five years and quarters. As per standard industry practise and applicable valuation guidelines, valuation of a business which demonstrates consistent positive operating profit and net profit should also take into account the value of business as a going concern. However, the said valuation methodology has not been applied by registered valuers in the instant matter, as it appears that they were not asked to do valuation of a profitable going concern.

24. It is observed that both the valuers are registered with IBBI and are governed by the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred to as "**Valuation Rules**"). Rule 8 of the said rules is reproduced below:

*"**8. Conduct of Valuation.** – (1) The registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under rule 18: Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per- (a) internationally accepted valuation standards; (b) valuation standards adopted by any registered valuers organisation."*

25. As on date, valuation standards have not been notified under the Valuation Rules and therefore, in the interim International Valuation Standards (hereinafter referred to as "**IVS**") is one such standards that may be followed.

26. The principles contained in the General Standards of IVS apply to valuations at large and IVS 200 specifically applies to valuations of businesses and business interests. As per clauses 20.1 and 20.3 of IVS 200:

"20.1 A business would include more than one asset (or a single asset in which the value is dependent on employing additional assets) working together to generate

economic activity that differs from the outputs that would be generated by the individual assets on their own.

20.4 The commercial, industrial, service or investment activity of the business may result in greater economic activity (ie, value), than those assets would generate separately. The excess value is often referred to as going concern value or goodwill".

27. The aforesaid valuation standards explicitly recognise that the purpose and nature of valuation of a business would differ from valuation of individual assets which form part of that business.

28. However, in the instant matter, despite the underlying BTA identifying the transaction a sale of business undertaking as a going concern by way of slump sale, neither the valuation reports nor the engagement letters mention that the business is to be valued as a going concern and therefore the applicable valuation methodologies, which take into account value of intangibles, employees, value of enterprise as a going concern , do not find any mention in the valuation reports. The assets have been valued based on their individual worth which *prima facie* does not capture the valuation of the business as a going concern thereby depriving the realization of true value of business proposed to be sold via slump sale. Since the buyer is a promoter related party, to ensure that no prejudice is caused to the public shareholders, it needs to be independently ascertained whether the valuation arrived at by PDCL in the instant matter is fair or not. In absence of such valuation, to let the slump sale proceed would cause grave injustice to the public shareholders since once the business is transferred to the buyer at significantly lower valuation, the transaction would become irreversible.

29. It is further noted that in the explanatory statement in the EGM notice dated January 20, 2025, PDCL has explicitly stated that a fairness opinion had been provided by a valuer (though not enclosed), certifying that the valuation of the undertaking was "fair." A fairness opinion is distinct from a valuation report since a

valuation report provides the methodology and valuation whereas a fairness opinion independently assesses whether the transaction consideration is fair from the perspective of minority shareholders. However, PDCL could not produce the said fairness opinion before the investigating authority upon being called to do so. PDCL's response was that the valuation reports and the minutes of the board meetings of PDCL provide the requisite assurance regarding the fairness and objectivity of the valuation process. The aforesaid response suggests that no such independent fairness opinion exists and the same *prima facie* amounts to a material misstatement in shareholder communication.

C.2 VOTING CONCERNS AND EROSION OF SHAREHOLDER VALUE

30. Regulation 37A of the LODR Regulations prohibit any public shareholder from voting on a resolution if he is a party, directly or indirectly, to such sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the listed entity. A preliminary examination of voting data was carried out to examine the voting pattern in detail since the initial resolution was defeated with only 44.94% votes in favour, but was subsequently approved with 77.84% votes following a marginal revision in the purchase price by merely Rs.2 crores within a short period of one-and-half months

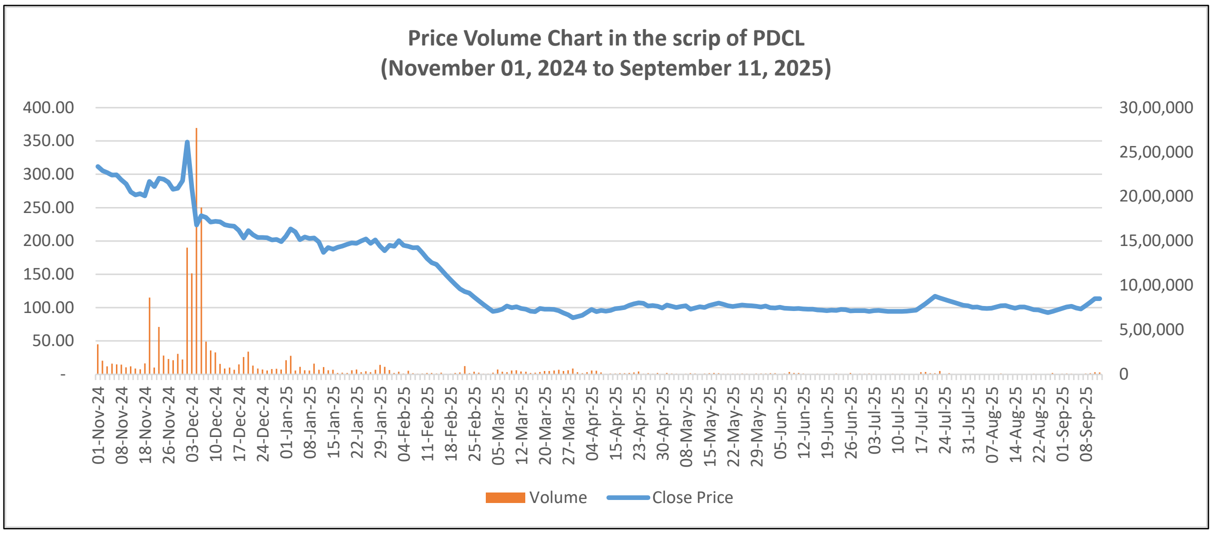
31. The e-voting data and Beneficiary Position (BENPOS) data was obtained from the electronic voting service provider and Registrar to an issue and Share Transfer Agent of PDCL *viz.* MUFG Intime India Private Limited (earlier known as Link Intime India Private Limited). Based on the combined analysis of BENPOS and voting results for both EGMs, it was observed that none of the shareholders who voted 'No' in the first EGM voted 'Yes' in the second EGM. All shareholders who voted 'No' in the first EGM either voted against the resolution or abstained from voting. It was further observed that various shareholders who voted in favour of the

resolution in the second EGM voted from the same IP address from which promoters attended the second EGM virtually.

32. The integrity of the voting process is of core significance to the shareholder rights. To ensure compliance with Regulation 37-A of the LODR Regulations, this issue needs to be further investigated to ensure that the voting process was fair and to find out the connection, if any, between the promoters and shareholders who voted in the second EGM. It may also require examination of other electronic evidence.

33. The Price Volume Chart in the scrip of PDCL for the period November 01, 2024 to September 11, 2025 is given below:

Figure no. 1
Price Volume Chart in the scrip of PDCL
(November 01, 2024 to September 11, 2025)



34. From the aforesaid figure, it is observed that the closing price of the scrip of PDCL initially saw a steep fall after the outcome of board meeting announced on December 02, 2024 and the closing share price of scrip continued to fall over a period of time. The specific impact on the price of PDCL after the announcement of outcome of the board meeting and EGM voting results are as follows:

Table no. 5
Impact of slump sale announcement on the share price of PDCL

Date	Price (in INR)				% Change in Close Price
	Open	High	Low	Close	
Outcome of Board Meeting December 02, 2024 at 17:45 hours					
02-Dec-24	296.00	348.45	296.00	348.45	
03-Dec-24	295.00	303.70	278.80	278.80	-19.99%
04-Dec-24	241.00	249.80	223.05	223.95	-19.67%
Cumulative % change in Closing Price					**-39.66%**
EGM Voting Results on January 01, 2025 at 18:04 hours					
01-Jan-25	202.75	217.85	199.81	198.90	
02-Jan-25	212.00	219.95	207.30	207.22	4.18%
03-Jan-25	220.00	220.00	212.82	217.99	5.20%
Cumulative % change in Closing Price					**9.38%**
Outcome of Board Meeting on January 11, 2025 at 17:21 hours					
10-Jan-25	209.50	209.50	196.41	204.40	
13-Jan-25	196.00	197.45	180.50	198.52	-2.88%
14-Jan-25	181.50	195.20	181.50	182.70	-7.97%
Cumulative % change in Closing Price					**-10.85%**
EGM Voting Results on February 13, 2025 at 14:56 hours					
12-Feb-25	173.62	173.62	164.93	173.62	
13-Feb-25	168.69	168.69	163.00	167.32	-3.63%
14-Feb-25	168.24	168.24	156.69	164.94	-1.42%
17-Feb-25	149.35	149.35	149.35	157.22	-4.68%
18-Feb-25	141.88	141.88	141.88	149.35	-5.01%

Date	Price (in INR)				% Change in Close Price
	Open	High	Low	Close	
19-Feb-25	134.78	134.78	134.78	141.88	-5.00%
20-Feb-25	128.04	128.04	128.04	134.78	-5.00%
21-Feb-25	121.63	134.44	121.63	128.04	-5.00%
24-Feb-25	124.40	124.40	119.00	124.24	-2.97%
25-Feb-25	119.10	120.50	115.79	121.89	-1.89%
27-Feb-25	110.15	112.00	110.15	115.95	-4.87%
28-Feb-25	104.64	104.64	104.64	110.15	-5.00%
03-Mar-25	99.40	99.40	99.40	104.64	-5.00%
04-Mar-25	94.43	94.43	94.43	99.40	-5.01%
05-Mar-25	89.70	98.00	89.70	94.43	-5.00%
Cumulative % change in Closing Price					**-59.49%**

35. From the aforesaid data, it is observed that prior to announcement of decision of slump sale on December 02, 2024, the market capitalisation of PDCL stood at INR 428.76 crores which cumulatively fell by 39.66% in next two trading days. The reason for their fall appears to be the board resolution of valuing the slump sale at INR 93 crores as against the market capitalisation of INR 428.76 crores. However, subsequent to the disclosure of the voting Results of the EGM on January 01, 2025 at 18:04 hours where the resolution for slump sale was defeated, the price of the scrip recovered by 9.38% in the next two trading days. Thereafter, immediately after PDCL had made an announcement on January 11, 2025 at 17:21 hours regarding the outcome of board meeting, the price of the scrip cumulatively fell by 10.85% in next two trading days. Subsequently, after the disclosure of the voting results of the EGM on February 13, 2025 at 14:56 hours where the resolution for slump sale was approved by the shareholders, the price of the scrip cumulatively

fell by 59.49% over next 14 trading days. The market capitalisation has fallen to INR 139.74 crores as on September 11, 2025.

36. It is a known fact that market capitalisation of a company reflects the investor sentiment and while it may not fully represent the true value of a company it gives an indication of perceived value in the eyes of the shareholders. Considering the price movement of scrip of PDCL in correlation to the slump sale announcement and the possible undervaluation of the core business of PDCL, there seems to be a high likelihood that the disclosures regarding valuation were not correct and therefore the consequent voting by the eligible shareholders was also based on incorrect information.

37. The LODR Regulations also mandate listed entity to include a statement that the valuation report relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders. However, no such statement was found in the EGM notice. Hence, the public shareholders did not have the option to access the valuation reports in violation of the provisions of the LODR Regulations to take informed decision while voting for approval of proposed slump sale transaction.

38. I also note that in case of related party transaction, such as one sought to be executed through the BTA, LODR Regulations read with LODR Master Circular mandates the listed entity to provide copy of the valuation report relied upon to the audit committee for approval of a proposed transaction. The audit committee is supposed to review the contents of the same. The fact that audit committee did not raise any questions regarding valuation methodology also raises concerns about the fairness and correctness of the process and needs to be further investigated.

39. In a nutshell, following observations have been *prima facie* made based on the facts presented above:

I. Despite PDCL categorically identifying the transaction as slump sale of business undertaking as a going concern, the valuation reports do not capture the valuation of the business undertaking as a going concern since assets have been valued based on their individual worth. Even while valuing the individual parts of the business, the valuation report does not ascribe any value to intangibles like intellectual property, employees, goodwill, etc.

II. Just prior to the announcement of the slump sale, the market capitalisation of PDCL was more than INR 400 crores which has fallen by around 70% thereafter which is at huge variance with the valuation of core business undertaking of PDCL at INR 93 crores. This has essentially led to erosion of shareholder value since *prima facie* a profit making business is being transferred to a private entity owner by the promoters at a reduced valuation.

III. The voting process through which the slump sale was approved by the public shareholders is also questionable since the voting pattern in the two EGMs and *prima facie* finding of common IP addresses of various voters and promoters points to some relation between the buyer promoters and voters in which case such voters would be ineligible as per the provisions of LODR Regulations.

D. NEED FOR INTERIM ORDER

40. It is an established position of law that quasi-judicial authorities should not question the commercial wisdom of a business decisions or second-guess the commercial judgments of a company's management or board as long as it complies with the applicable laws. However, the Hon'ble courts have clarified that this principle is not absolute and does not provide an excuse for overlooking regulatory misconduct. In ***MK Rajgopalachari v Dr Periasamy Gounder*** *(Civil appeal nos. 1682-1683 of 2022)*, the Hon'ble Supreme Court held that if a decision made by the Committee of Creditors under insolvency laws violates any law, the principle of commercial wisdom cannot be used to justify that decision and such a decision would be subject to judicial review. The courts have emphasized that overly relying on the

commercial wisdom principle could hide significant flaws and thus it is necessary to intervene in demanding cases to ensure compliance with legal requirements. While the commercial wisdom principle explicitly apply to insolvency laws, I note that it is nonetheless a guiding factor before quasi-judicial authorities in using their discretion wisely and sparingly.

41. I note that the purpose of regulatory disclosures is to ensure a level playing field and to enable the shareholders/investors to take an informed decision. If the foundational facts regarding valuation of the proposed slump sale are not correct, the consequent approval of slump sale transaction by shareholders is also deemed to be based on incorrect information. Further, given *prima facie* findings regarding integrity of the voting in the second EGM and the substantial variance between the slump sale value and the erstwhile market capitalization of PDCL, I am of *prima facie* view that the correctness of valuation methodology adopted by PDCL needs to be independently re-examined to ascertain whether the said valuation is fair and reflective of true value of the undertaking being transferred through the proposed slump sale. It is also a matter of fact that the market capitalisation of PDCL has eroded by almost 70% since the announcement of the slump sale at the stated valuation.

42. Vide letter dated September 04, 2025, PDCL has informed that the proposed slump sale by PDCL is sought to be completed by September 20, 2025. Therefore, in view of the advanced timeline and the potential irreversible consequences for the public shareholders, I consider it necessary to issue interim directions restraining PDCL from proceeding with any step that may result in the alienation, sale, or disposal of its assets, including the implementation of the BTA dated February 14, 2025 until completion of further investigation in this matter.

43. Since the buyer i.e. PJFCPL, is a related party, a temporary restraint on execution of slump sale would not cause any material disadvantage to any third party since the transaction can be consummated after completion of investigation if no wrong

doing is found. The intent of this order is to ensure that no prejudice is caused to the public shareholders and to ensure compliance with the applicable laws. If the proposed slump sale transaction is allowed to proceed, it could cause grave injustice to the public shareholders since the transaction would become irreversible upon execution.

44. The *prima facie* findings of investigations make a compelling case for passing interim directions given the possible violations of the provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws. From the facts and analysis set out above, I note that there is a *prima facie* case made out against PDCL and the balance of convenience lies in favour of passing the order as against abstaining from doing the same. Further irreparable injury would be caused to the public shareholders if the order is not passed.

45. Thus, I find that there exist sufficient grounds to form a *prima facie* opinion that the proposed slump sale transaction by PDCL may be detrimental to the interests of public shareholders and warrants urgent intervention by SEBI in form of interim directions.

E. ORDER

46. In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me in terms of section 19 read with sub-sections (1) and (4) of section 11, section 11B and section 11D of the SEBI Act,1992, hereby issue the following directions: –

    I. PDCL is restrained from effecting the transactions agreed upon in the BTA dated February 14, 2025 for Slump Sale of its business undertaking to PJFCPL.

II. The stock exchange (NSE) is directed to appoint a registered valuer to independently carry-out the valuation of the business undertaking proposed to be transferred through the BTA following appropriate valuation methodology as per recognised valuation standards. The registered valuer shall submit a report to NSE within three months from the date of this Order. Further, a fairness opinion shall also be obtained by Stock Exchange (NSE) from a merchant banker regarding the aforesaid valuation within one month from the date of submission of valuation report.

III. PDCL, its management and all the signatories to the BTA dated February 14, 2025 are directed to cease and desist from entering into any transaction which may directly or indirectly result in alienation of any assets forming subject matter of the BTA until further directions in this matter and they shall extend necessary cooperation to the valuer appointed and to furnish all information/documents sought from them from time to time.

IV. The Stock Exchange (NSE) is directed to submit the valuation report, fairness opinion along with its recommendation within 15 days from the date of receipt of fairness opinion.

47. The above directions shall take effect immediately and shall be in force until further orders.

48. The foregoing prima facie observations contained in this Order are made on the basis of the material available on record. The *Noticee* may, within 21 days from the date of receipt of this Order, file its reply/ objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.

49. This order is without prejudice to the right of SEBI to take any other action that may be initiated against the *Noticee* in accordance with law.

50. A copy of this Order shall be forwarded to the *Noticee*, Stock Exchanges, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

KAMLESH CHANDRA VARSHNEY

Digitally signed by KAMLESH CHANDRA VARSHNEY
Date: 2025.09.15 17:02:35 +05'30'

PLACE: MUMBAI **KAMLESH CHANDRA VARSHNEY**

DATE: SEPTEMBER 15, 2025 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA

LIST OF TABLES AND FIGURES