BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/GN/2024-25/30977]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

S. Madhavan
(PAN: AAPPM2859L)
In the matter of
Midvalley Entertainment Limited

BACKGROUND:

1. An investigation was conducted by Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) in the matter of IPO of Midvalley Entertainment Limited (hereinafter referred to as **Company / MVEL**) for the period of January 27, 2011 to February 28, 2011 (hereinafter referred to as **"Investigation Period/ IP"**).

2. Subsequently, an Adjudication Order (hereinafter referred to as **AO order)** (Adjudication order No. Order/PM/GD/2022-23/16782-16811) dated May 31, 2022 was passed in the matter, against 32 entities including Mr. S Madhavan (hereinafter referred to as **Noticee**), wherein penalty of Rs 10,00,000/- (Rupees Ten Lakh only) was imposed on the Noticee under section 15HA of SEBI Act for the violation of Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (d), (e),(f), (k) and (r) of PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act, 1992

3. Noticee appealed before the Hon'ble Securities and Appellate Tribunal (hereinafter referred to as **SAT**), on the ground that the appellant was not served with the Show Cause Notice.

4. Hon'ble Securities Appellate Tribunal (SAT), vide Order dated August 23rd, 2024, in misc. application No. 964 of 2024, misc. application No. 899 of 2024 and appeal no. 533 of 2024, remitted the appeal to SEBI for fresh consideration in accordance with law in so far as it relates to Noticee and made the following observations:-

"The appeal is allowed, matter is remitted to the file of SEBI for fresh consideration in accordance with law"

"Without notice, appellant shall appear before the SEBI on 26.09.2024."

APPOINTMENT OF ADJUDICATING OFFICER

5. In compliance with the abovementioned directions of Hon'ble SAT, vide communique dated September 06, 2024 the undersigned was appointed as Adjudicating Officer (AO) under Section 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "SEBI Adjudication Rules") read with Section 19 of the SEBI Act to enquire into and adjudge under the provisions of Section 15HA of SEBI Act, 1992, for the alleged violations of Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (d), (e),(f), (k) and (r) of PFUTP Regulations by Noticee**.** The appointment of an undersigned as an AO was communicated to the Noticee vide letter dated September 09, 2024.

PERSONAL HEARING & REPLY:

6. Pursuant to the restoration of the case to AO, in accordance with the SAT direction Noticee appeared personally before the undersigned on September 26, 2024, at SEBI Bhawan 2. The Noticee was provided with a copy of the Show Cause Notice dated January 20, 2017, Supplementary Show Cause Notice dated May 07, 2021 along with annexures and communique dated September 06, 2024 and was advised to submit the reply within 15 days of the receipt of the same.

7. Vide email dated October 09, 2024 Noticee sought extension for submission of reply as he was not able to open annexures because of technical difficulties and vide email dated October 14, 2024 Noticee sought copies of certain annexures. In view of the same, vide email dated October 14, 2024 copy of the annexures sought for was again provided to the Noticee and vide email dated October 15, 2024 Noticee was advised to submit its reply on or before October 24, 2024.

8. Vide e-mail dated October 24, 2024, Noticee submitted the reply dated October 24, 2024. The reply of the Noticee is summarised below-

a) *Noticees submitted that the Company floated its Initial Public Offer on the Bombay Stock Exchange on 27.01.2011. He was appointed as Company Secretary of the Company on 01.06.2010, for the limited purpose of ensuring that the Company was in compliance with all the relevant laws and regulations for their Initial Public Offer; and was not involved in the day-to-day operations of the Company. Noticee state that all the statements in the Red Herring Prospectus ("RHP") and Prospectus were based on the information and records provided to him by the Company.*

b) *As the purpose for his appointment was accomplished with the listing of the scrip of the Company on 27.01.2011, he tendered his resignation to the Company on 31.01.2011 and stopped attending office from 01.02.2011. Noticee submitted a copy of the resignation letter acknowledged by the Company. Despite tendering his resignation on 31.01.2011, the Company did not issue the relieving letter due to which he was compelled to address an email to the Company on 28.03.2011. In response to his email, the Company issued the relieving letter dated 31.03.2011 acknowledging the date of his resignation as 28.03.2011 despite tendering his resignation on 31.01.2011 and the same having been accepted by the Company.*

c) *Noticee submitted that Company had filed Form 32 only in October 2011 and had falsely mentioned the date of my resignation as 15.05.2011 and had also attached a resignation letter purportedly given by him on 15.05.2011.*

Noticee specifically addressed the allegations as follows -

Non-disclosure of Directorships of Vasan Chidambaram

d) *Noticee submitted that the disclosures in the RHP and Prospectus were made as per the declarations given by each Director. It is pertinent to note that at the time that the scrip was listed in 2011, the Directors Master Data was not available to the public on the MCA website. The option to create a login ID for members of professional institutes and other users became available on the website only from 2013 after the Companies Act, 2013 came into force. Therefore, he cannot be held liable for the non-disclosure of directorship of Mr. Vasan Chidambaram in Tanmathra Creative Solutions Pvt. Ltd. and UNY Media Pvt. Ltd. as he did not had knowledge of the same.*

Non-disclosure of Arrangement with Eduexel Infotainment Ltd

e) *Noticee submitted that as per records and documents made available to him by the Company for the purpose of the IPO, there was no existing arrangement between the Company and Eduexel Infotainment Ltd. It has also been alleged that a payment of Rs. 19 Crores had been made by the Company to Eduexel Infotainment Ltd. on 25.01.2011, 27.01.2011 and 09.02.2011. He was not privy to the payments made on 25.01.2011 and 27.01.2011 as being the Company Secretary, he was not involved in the financial transactions of the Company. With respect to the payment made on 09.02.2011, the same occurred after he had tendered his resignation on 31.01.2011.*

Non-disclosure of Vendors/Suppliers

f) *Noticee submitted that as on the date of filing the RHP and Prospectus, there were no agreements or arrangements between the Company and these entities as per the information and records made available to him. It is pertinent to note that as per Annexure 13 of the SSCN, the Company, vide its reply dated 16.07.2013 to SEBI letter no. IVD/IDl 0MVEL/RA/RD/12540/2013 dated 28.05.2013, has stated that the decision to place purchase orders with these entities was based on internal discussions and agreed upon by the Board of Directors of the Company. Noticee submitted that as the Company Secretary, he had no knowledge of any agreements or arrangements that were entered into by the Company with these entities and therefore, he cannot be held liable for the acts and decisions of the Board of Directors of the Company.*

g) *Noticee submitted that he cannot be held to be in violation of Section 12A(a),(b) and (c) of the SEBI Act, 1992 read with Regulations 3 (a), (b),(c),(d), 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations as the statements made in the RHP and Prospectus were true and correct to the best of his knowledge and were based on the information and records provided by the Company.*

h) *Noticee submitted that he cannot be held liable for misstatement regarding utilization of IPO proceeds and consequently cannot be held liable for violation of the relevant provisions under the SEBI Act and the PFUTP Regulations as he was employed with the Company in the limited capacity of Company Secretary for the IPO and was not involved in the day-to-day operations and the financial affairs of the Company. Noticee submitted that he has not dealt with the shares of the Company either directly or* *indirectly during his employment with the Company and even after his resignation; and had no knowledge of the transactions relating to the scrip of the Company.*

i) *Noticee submitted that he cannot be held liable for the penalty under Section 15HA of the SEBI Act for the reason that, as demonstrated above, the disclosures in the RHP and the Prospectus were true and correct to the best of his knowledge and were based on the information provided by the Company.*

10. Vide hearing notice dated October 25, 2024 sent via digitally signed mail dated October 28, 2024 and SPAD and was duly delivered, Noticee was provided an opportunity of hearing on November 04, 2024. Noticee and AR of the Noticee appeared through video conferencing for the hearing conducted on November 04, 2024. The AR reiterated submissions already made vide reply dated October 23, 2024 and sought time till November 11, 2024 for making the following additional submissions -

a) Appointment letter of Noticee as company secretary of Midvalley Entertainment Limited.

b) Affidavit of Noticee regarding the declaration made by the directors of Midvalley Entertainment Limited and documents which Noticee relied upon while signing the red herring prospectus / prospectus.

11. Vide reply dated November 11, 2024 Noticee made the following submissions-

(a) Noticee submitted copy of his appointment letter as Company secretary / consultant of the Midvalley Entertainment Limited.

(b) Noticee submitted on affidavit that he relied on the declaration made by the Mr. vasan Chidambaram regarding his directorship, as there was no means to check the details of the directorship of directors at that time. Noticee submitted that he relied upon the documents mentioned at page no. 289 and 290 of the RHP and prospectus before signing the same. Noticee further submitted that as the company secretary, his role was to make the existing documents handed over to him by the MVEL, available to lead manager, who would further inspect the said documents and contracts and determine which one were to be mentioned in the RHP and prospectus. His certifications in the RHP and prospectus were based on the available records/documents provided to him by MVEL and on the basis of the same he had certified the RHP and prospectus as true and correct.

ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS

12. The facts and circumstances of the case and the material available on record and the submission of the Noticee has been taken into consideration. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticee has violated the Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (d), (e),(f), (k) and (r) of PFUTP Regulations?

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15 HA of the SEBI Act?

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

13. Before proceeding further, it is pertinent to mention the relevant legal provisions alleged to have been violated by the Noticeeand the same are reproduced below: -

SEBI Act, 1992

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;

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(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 them rules or the regulations made thereunder;

(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 thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: —

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

(e) Any act or omission amounting to manipulation of the price of a security;

(f) [knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information [relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;

(r) [Knowingly] planting false or misleading news which may induce sale or purchase of securities.

FINDINGS

14. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee the findings are recorded hereunder:

ISSUE I: Whether Noticee has violated the Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (d), (e),(f), (k) and (r) of PFUTP Regulations?

15. During investigation, it was observed from the database of Ministry of Corporate Affairs ('MCA') that Vasan Chidambaram was a director in five companies as on the date of filing of the Red Herring Prospectus. However, his directorship in two entities were not disclosed in Red Herring Prospectus dated December 20, 2010 and Prospectus dated January 14, 2011 filed by the Company. Therefore, it was alleged that the Company has provided false information regarding the directorship of Noticee in its RHP and Prospectus.

16. During investigation it was also observed that the MVEL had entered into an arrangement with Eduexel Infotainment Limited (hereinafter referred to as EIL) for the purpose of acquisition of screening rights, screening arrangements along with film contents from market for supplying the same to MVEL. However, the Company allegedly did not disclose the said information in the RHP/Prospectus for the IPO.

17. Further, it was observed during investigation that MVEL had transferred proceeds of IPO to 4 entities as suppliers ostensibly for meeting the objects of RHP namely: (i) Aman Tie

Up Pvt. Ltd. (ii) EIL, (iii) Aswin Logistics Ventures and(iv) Omni Ax's Software Ltd. . However, it is observed that the aforesaid four entities do not appear in the list of its suppliers appearing under the heading 'Equipments' at page 62 of the RHP from whom the MVEL had claimed to have sought quotes. Therefore, it was alleged that the MVEL has provided false list of suppliers and the real entities to whom it has claimed to have transferred funds for meeting the objects of RHP/Prospectus have not been disclosed to the public.

18. It was also alleged that the funds raised in the IPO for the object "Renovation and Up-gradation of cinema infrastructure with Digital Equipment and other related assets for select 100 screens", "Acquisition of company, acquisition of screening rights from companies having similar line, range and objects of business", "General Corporate Expenses" have been siphoned off by the Company.

19. It was alleged that a sum of Rs 50.263 Crore out of the Rs 60 Crore received by MVEL in the IPO was not utilised for the objects mentioned in RHP/Prospectus of the IPO and were siphoned off by MVEL with the help of its related entities. It was observed that Noticee was one of the signatories to the RHP dated December 20, 2010 and prospectus dated January 14, 2011.

20. In view of the above, it is alleged that Noticee being signatory to RHP/Prospectus, have violated the provisions of section 12A (a), (b) and (c) of the SEBI Act and the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations.

21. Noticee submitted that he was appointed as Company Secretary of the Company on 01.06.2010, for the limited purpose of ensuring that the Company was in compliance with all the relevant laws and regulations for their Initial Public Offer; and was not involved in the day-to-day operations of the Company. After the listing of the scrip of the Company on 27.01.2011, he tendered his resignation to the Company on 31.01.2011 and stopped attending office from 01.02.2011. Noticee also submitted that all the statements in the Red Herring Prospectus ("RHP") and Prospectus were based on the information and records provided to him by the Company.

22. It is noted that Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (d), (e),(f), (k) and (r) of PFUTP Regulations provides that no person shall directly or indirectly buy, sell or otherwise deal in securities in a fraudulent

manner; 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, 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 and 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 thereunder.

23. It is noted from the document submitted that Noticee was appointed as the company secretary / consultant of the company on June 01, 2010. Noticee resigned on January 31, 2011 and company vide letter dated March 31, 2011 accepted the resignation of the Noticee. With regard to the allegation that wrong information was provided regarding directorship of Mr. Vasan Chidambaram by the company in the RHP and prospectus. Noticee submitted that he had relied on the documents submitted before him by the director Mr. Vasan Chidambaram, as the details with regard to directorship during 2011 was not available on the MCA website.

24. With regard to the alleged non-disclosure of entering into arrangement with EIL in the RHP/prospectus, Noticee submitted that he was not privy to the payment between the company and Eduexel Infotainment ltd on January 25, 2011 and January 27, 2011 and he had no knowledge of any agreements or arrangements that were entered into by the company.

25. Noticee vide affidavit dated November 08, 2024 submitted that he relied on the self-declaration provided by Mr. Vasan Chidambaram regarding the disclosure of the directorships of Mr. Vasan Chidambaram before signing the RHP and prospectus, and had relied upon the following documents mentioned at page number 289 and 290 of the RHP and prospectus:-

a) Certified true of copy of the memorandum and Articles of Association of MVEL, as amended from time to time.

b) Certified true copy of the certificate of incorporation dated July 12, 1989 issued by the registrar of companies, Karnataka, Bangalore under the name and style of CTV entertainment limited and fresh certificates of registration issued by the Registrar of Companies, Karnataka, Bangalore dated January 28, 2000, February 04, 2000 and February 07, 2005 for changes in name and constitution of the company.

c) Certified true copy of the Certificate of Registration of Company Law Board orderfor changes of state dated February 07, 2007 for the change of registered office from the state of Karnataka to the state of Tamil Nadu, issued by the Assistant Registrar of Companies, Tamil Nadu.

d) Copy of resolution passed by the shareholders of MVEL at the Extra Ordinary general meeting held on May 15, 2010 approving this issue.

e) Copy of resolution passed by the board of directors of MVEL at the Extra Ordinary general meeting held on May 15, 2010 approving this issue.

f) Copy of board resolution dated April 01, 2010 for appointing Mr. Murugavel designated as "Executive Director".

g) Due diligence certificate dated August 27, 2010 to SEBI from Aryaman Financial Services Limited, the book running lead manager.

h) Consent from the directors, compliance officer, auditor, book running lead manager, registrar to the issue, legal advisor, bankers to the issue and bankers to our company, to act in their respective capacities.

i) Certificate dated November 19, 2010 from the statutory auditors, M/s Venkatesh & Company, chartered accountants, detailing the tax benefits.

j) Audit report by the statutory auditor, M/s Venkatesh & Company, chartered accountants dated November 19, 2010 included in the prospectus and copies of the balance sheet referred in the said report.

k) Copy of the Certificate from the statutory auditors, M/s. Venkatesh & Company, Chartered Accountants, dated November 19, 2010 regarding the sources and deployment of funds as on November 19, 2010.

l) Copy of in-principal approval received from the Bombay Stock Exchange Limited dated October 20, 2010.

m) IPO Grading Report dated November 02, 2010 by M/s. Brickwork Ratings India Pvt Ltd

26. It is also noted that as per page 289 of the RHP/prospectus, following material contracts were existing as on the date of signing of RHP/prospectus:-

a) Engagement letter dated May 25, 2010 issued by MVEL to the Aryaman Financial Services Limited.
b) Memorandum of Understanding dated August 16, 2010 among MVEL and Aryaman Financial Services Limited, appointing them as Book Running Lead Manager to the Issue.
c) Memorandum of Understanding dated July 15, 2010 between the MVEL and Cameo Corporate Services Limited appointing them as Registrar to the Issue.
d) Tripartite Agreement dated June 12, 2007 among MVEL, NSDL and Cameo Corporate Services Limited.
e) Tripartite Agreement dated September 09, 2006 among MVEL, CDSL and Cameo Corporate Services Limi ted.
f) Escrow agreement dated [e] between MVEL, the BRIM, Escrow Collection Banks, and he Registrar to the Issue.
g) Syndicate agreement dated between MVEL, the BRLM and the Syndicate Members.

27. It is noted that investigation does not bring out on record any evidence / documents to show that Noticee was aware of the directorship of Mr. Vasan Chidambaram or the arrangement of the company with EIL as alleged. In view of the above the submission of the Noticee is accepted. Further with respect to the allegation of siphoning of fund, it is observed that there are no documentary evidence to substantiate that Noticee was involved into the financial transaction of the company as the Company Secretary. It is observed that Noticee resigned on January 31, 2011, and the alleged siphoning of fund took place majorly during January, 2011 and February, 2011. Hence the allegation that the Noticee as signatory to the RHP dated December 20, 2010 and prospectus dated January 14, 2011 violated PFUTP regulation does not stand established.

28. Given all of the above, the allegations against the Noticee as mentioned in the SCN and SSCN cannot be pursued further. The SCN dated January 20, 2017 and SSCN dated May 07, 2021 qua the Noticee is therefore disposed of without imposing any penalty.

29. In view of the above, issued II and III do not require any consideration.

30. In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

BARNALI MUKHERJEE Digitally signed by BARNALI MUKHERJEE Date: 2024.11.14 14:32:08 +05'30'

Place: Mumbai **BARNALI MUKHERJEE**

Date: November 14, 2024 **ADJUDICATING OFFICER**