

LEGAL UPDATES

SEBI: PUTS A BAR ON THE COMPANY AND ITS DIRECTORS FOR PUBLISHING MISLEADING AND INFLATED FINANCIAL RESULTS

The SEBI bench presided by Ms Madhabi Puri Buch barred 6 directors of a company ('Noticee') from getting into the securities market for publishing inflated, false and misleading financial results and hence, infringing the PFUTP regulations, the bench opined that the most essential document for any stakeholder or the investor of a company is the financial statements and the annual report of a listed company. Further, stating that any misleading or false information in these essential documents would amount to fabricated disclosures being made thereby misleading the stakeholders/ investors and committing a fraudulent act. Highlighting that any misleading or false information or accounts which depict a misleading image of the financial condition of a company have a major impact on the securities market and the investors, the board observed that a foundation of the stock market is established on the premise of transparency, ethical behaviour and good governance of the people related to the stock market and on the fact that no unlawful or fraudulent acts are done thereby confirming to the securities law. Further, noting that the company in the instant matter has adopted deceptive measures in order to inflate the sales and had undertaken suspicious activities by manipulating the results in order to create and present a misleading image to their stakeholders and the public. The bench highlights that acts of irregularities impact the development of the market and seeks regulatory measures in order to protect the investor's interests. Thus, the regulatory authority states that for the interest of investors and considering the violations as committed by the noticees and also to ensure the development of the stock market it is needed to issue directions against the noticees.