CASE NOTE

GOVERNANCE, DISCLOSURE & THE LIMITS OF SCALE

The Largest Number Nobody Could Verify.

What the Rajesh Exports matter says about disclosure, subsidiary governance, and the records a company keeps.

~ Rs 15.15 lakh crore

consolidated revenue across FY21 to FY25 that SEBI, on a prima facie basis, found could not be independently verified.

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THE MATTER, IN BRIEF

A note on what this is, and is not.

On 3 June 2026, the Securities and Exchange Board of India issued a 109-page ex parte interim order against Rajesh Exports Limited and its executive chairman, restraining them from accessing the securities market. The order alleges that consolidated revenue of approximately fifteen point one five lakh crore rupees, reported across the five financial years from FY21 to FY25, was prima facie misrepresented. The company and its chairman have publicly denied the allegations, stated that their disclosures are accurate, and said they are cooperating fully with the investigation.

Two things must be held in mind throughout this note. The order is interim and ex parte. It records findings on a preliminary basis, made without the company having yet been heard in full, and it expressly preserves the company's right to respond as proceedings continue. Nothing in it is a final adjudication, and nothing in this note should be read as asserting that fraud has been proven. The company's position is that the figures were misread and that all records have been submitted.

This note does not take a side on the truth of the allegations, which only the proceedings can determine. It treats the matter the way an advisory firm should: as a structure of facts, alleged and admitted, from which every founder and board can draw lessons about disclosure, subsidiary governance, and the discipline of keeping a record that can be read by an outsider. The value of the case to a reader does not depend on the final verdict. The patterns it surfaces are instructive either way.

The question a regulator, an acquirer or a lender finally asks is not how large the number is. It is whether the number can be verified.

HOW IT BEGAN

The proceeding did not begin with a raid or a whistleblower deep inside the company. It began, according to SEBI, with a single shareholder complaint received by email on 11 March 2024, flagging trade receivables that had remained outstanding for more than two years. One unpaid balance, noticed by one investor, opened a thread that a forensic auditor was later appointed to pull. That origin is itself the first lesson of this note, and we return to it at the end.

THE STRUCTURE

Where the revenue lived.

To understand the allegation, one has to understand the shape of the group, because the shape is the heart of the matter. Rajesh Exports, the Indian listed parent, sat at the top. Its own standalone business, the jewellery and refining operation that Indian investors could see and that Indian auditors examined, was comparatively small. For the six years from FY21 to FY26, that standalone revenue ranged between roughly zero point eight and two point six percent of the consolidated figure. Almost everything that made the company appear vast lived elsewhere.

Below the parent, through a Singapore subsidiary, sat a Swiss holding company, Global Gold Refineries, in which the group held its interest. Below that sat Valcambi, a Swiss precious-metals refinery acquired in 2015 and described by the company as the principal operating entity of the group. SEBI's concern is the gap between the revenue reported at the holding-company level and the audited standalone revenue of the operating entity beneath it.

THE GAP SEBI COULD NOT RECONCILE (FY 2024-25, ILLUSTRATIVE)

Figures per SEBI interim order. The operating entity's audited revenue was under 0.5% of the consolidated figure attributed to the group. The bar for Valcambi is near-invisible at scale, by design.

The company's explanation is that the holding company consolidated the gross value of gold transactions, while the operating entity's standalone accounts recognised only processing value, and that the two are therefore not comparable. SEBI found this explanation prima facie unsupported by the underlying records. Whichever view prevails, the lesson for a reader is structural: when almost all of a group's reported revenue sits in entities an outside auditor cannot fully see, the disclosure of those entities stops being optional. It becomes the only place the truth can be checked.

THE GOVERNANCE QUESTIONS

What the order puts in issue.

Stripped of the staggering headline figure, the order raises a set of governance and disclosure questions that are entirely ordinary in kind, if not in scale. Each one is a discipline that applies to a company of any size, and each is worth stating plainly because each is avoidable.

- **Subsidiary-level disclosure.**
  When 97 to 99 percent of consolidated revenue comes from subsidiaries, the financial statements of those subsidiaries are not a footnote. They are the main source of truth. SEBI alleges that standalone financials of material overseas subsidiaries were not placed in the public domain as required. The chairman has conceded that subsidiary data was not uploaded, while disputing that it was required in the manner alleged.
- **Related-party transactions.**
  The order points to roughly 338.9 crore rupees transferred from the company to promoter-linked personal accounts between April 2020 and September 2025, of which about 232.4 crore was later returned. The company maintains all such transactions were legitimate. The governance point stands regardless of the explanation: movements of company funds through promoter accounts demand contemporaneous documentation and arm's-length disclosure, because in their absence they invite exactly this inference.
- **Verifiability of assets.**
  SEBI questioned investments said to have been made in overseas gold-mining operations, citing an absence of supporting documentation and title. An asset a company cannot evidence is, to an outside examiner, an asset that may not be there. The burden of proof in a dispute sits with the party that should have kept the record.
- **The mismatch in plain sight.**
  The company reported revenue that ranked it among India's largest by sales, yet earned a profit of around 113 crore rupees in FY26, less than one paisa on every hundred rupees of revenue. A scale-to-profit mismatch of that order is visible on the face of the accounts. It is the kind of metric that diligence is meant to catch early, not late.

THE CONSEQUENCES

What followed the order.

The point of a case note is not the allegation but the chain of consequence it sets off, because that chain is what a founder is really being warned about. Within a day of the order, the consequences began to compound across entirely separate domains, none of which waited for a final verdict.

HOW ONE ORDER SPREAD

- **Market access**
  The company and its chairman were restrained from accessing the securities market, with the chairman barred from dealing in the company's securities until further directions.
- **Shareholder wealth**
  SEBI estimated shareholder wealth erosion of around 12,726 crore rupees. The stock hit a 5 percent lower circuit and closed near 104 rupees, roughly 54 percent below its 52-week high.
- **Institutional exposure**
  Among the largest institutional shareholders was a major state insurer holding close to 10.8 percent, carrying the consequence into public institutions and their policyholders.
- **The audit function**
  The order was referred to the National Financial Reporting Authority for examination of the company's statutory auditors. The regulator signalled it does not view this as a promoter matter alone.
- **Government incentives**
  A central ministry was reported to be reviewing the company's status as a beneficiary under a production-linked incentive scheme, putting a separate government benefit at risk.

Each of these sits in a different forum, with a different decision-maker, on a different timeline. The securities regulator, the markets, an insurer's stakeholders, the audit oversight body, and a ministry administering an incentive scheme. One interim order, built on one shareholder complaint, became live across all of them at once. That is the property of a governance failure that matters most to a founder: it does not stay in the box it started in.

WHAT A FOUNDER SHOULD TAKE FROM THIS

The lessons, regardless of verdict.

It would be a mistake to read this as a story about one company, or to take comfort in its scale by assuming the lessons apply only to giants. The disciplines the matter puts in issue are the same at every size, and they are cheaper to observe than to neglect at any size.

- **Scale is not a substitute for verifiability.**
  A number is only as strong as a stranger's ability to check it. The larger the claim, the heavier the documentation it must carry, not the lighter. Growth that outruns its own records is not strength. It is exposure waiting for a reader.
- **Subsidiaries are where governance is tested.**
  The moment material value moves into entities that an outside auditor cannot fully see, disclosure of those entities becomes the whole game. A group is governed at its weakest-documented node, not its strongest.
- **Related-party flows demand a paper trail.**
  Money moving between a company and the people who control it is not wrong in itself. Money moving without contemporaneous documentation and arm's-length disclosure is what turns an ordinary transaction into an allegation. The record is the defence.
- **The face of the accounts speaks first.**
  A scale-to-profit mismatch, a receivable outstanding for years, a standalone figure dwarfed by its consolidation. These are visible without forensics. The discipline is to read your own accounts as an adversary would, and to fix what does not reconcile before someone else asks.
- **It starts with one reader.**
  This entire matter began with a single shareholder noticing a single unpaid balance. No company can choose which reader looks closely, or when. The only safe assumption is that the record must be ready to be read at any time, by anyone, without rehearsal.

None of this requires a forensic mindset or a fear of growth. It requires the ordinary discipline of keeping, at every level of a group, a record that an outsider could pick up and follow. The companies that do this are not slower. They are simply ready, and readiness is the cheapest insurance a founder can buy.

CLOSING

A record ready to be read.

The Rajesh Exports matter will be decided in its own forums, over its own timeline, and the company is entitled to be heard in full before any conclusion is drawn. This note takes no position on that outcome. Its purpose is narrower and more useful: to show that the questions at the centre of even the largest matter are the same ordinary questions of disclosure and documentation that every company answers, well or badly, long before anyone is watching.

The discipline that protects a founder is not secrecy and it is not size. It is the quiet, unglamorous practice of keeping a record that holds up when read by a stranger who is not inclined to be generous. That practice costs little while a company is small. It becomes nearly impossible to retrofit once a company is large. The best time to build it is before the first reader arrives.

You can delegate the work. You cannot delegate the accountability.

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