

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

**In continuation of the order dated May 24, 2016 in the matter of trading in Castor Seed Contracts at NCDEX against National Steel & Agro Industries Limited (NSAIL) and another; Representation of NSAIL - Consideration of interim relief**

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1. Securities and Exchange Board of India ("SEBI") vide an *ad interim ex-parte order-cum-show cause notice* dated May 24, 2016 restrained NSAIL along with another entity, from accessing the securities market and further prohibited them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions.
2. While the proceedings pursuant to the *interim order* are still in progress, NSAIL vide its letters dated July 28, 2016, August 19, 2016, October 27, 2016, November 15, 2016 and December 5, 2016 responded to the ex-parte order and has sought an interim relief that it may be allowed to go ahead with the Qualified Institutional Placement (QIP) Issue. During the personal hearing held on December 22, 2016, NSAIL pressed for the interim relief and in this regard made the following submissions:
  - a. that NSAIL is in two business segments, namely, manufacturing and commodity trading. In the commodity trading segment, it undertakes trading in agro-products including Castor Seeds and in the manufacturing segment, it is engaged in the business of manufacturing steel. It has 592 employees and its annual turnover is approximately Rs.3750 Crore;
  - b. that the Board of Directors of NSAIL in its meeting held on March 30, 2016, decided to issue equity shares by way of QIP Issue to Qualified Institutional Buyers in terms of Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR Regulations') for an amount not exceeding Rs. 60 Crore, to meet the needs of growing business and other corporate purposes. This was duly communicated to the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE);
  - c. that the majority shareholders of the company have also approved the same on May 19, 2016 through Postal Ballot which was duly communicated to the stock exchanges;

- d. that the ex-parte order dated May 24, 2016, restrains the Company from proceeding with the QIP Issue;
  - e. that it will have to face financial crunch in its operations and its growth and its employees are at stake; and
  - f. that the Noticee may therefore be allowed to go ahead with the QIP Issue and the directions may kindly be suitably modified pending revocation of directions completely.
3. In support of the aforesaid claims, NSAIL has submitted the following documents:
- a. Copy of the resolution passed at the fifth meeting of financial year 2015-16 of the Board of Directors of the Company held on March 30, 2016,
  - b. Copy of outcome of Board Meeting held on March 30, 2016,
  - c. Copy of Notice of Postal Ballot,
  - d. Copy of declaration of result of Postal Ballot, and
  - e. Copy of consolidated scrutiniser's report on Postal Ballot and remote e-voting.
4. From the documents submitted by NSAIL, it is noted that the QIP Issue was approved by the Board of Directors and the shareholders of NSAIL. The outcome of board meeting held on March 30, 2016 was intimated to the NSE and BSE by NSAIL vide its letters dated March 30, 2016 and the same is also available on the website of respective stock exchanges. The proposal to go for a private placement and raise funds through QIP preceded the subject interim order. It was further submitted by NSAIL that if the QIP process is stalled, they will have to face financial crunch in its operations and the growth of the company and its employees will be adversely affected. In my view, NSAIL has sufficiently made out a case as to why the proposed QIP Issue, should not be stalled so as to allow it to meet the needs of its business. I do not find that the interim order dated May 24, 2016 had envisaged a specific restraint of the QIP issue floated by NSAIL. I note that the said interim order was part of the measure taken against several entities involved in the closing out of Castor Seed contracts at NCDEX in January 2016, due to the interplay of a group of entities and that the investigation into the same is being conducted separately. While I consider the proposal whether or not to allow the QIP of NSAIL, in the light of its submissions and the documents made available in this connection, I wish to keep all questions related to its role in the alleged fraudulent and manipulative activities open and the investigations pending in the matter may not be prejudiced in any manner by this order.

5. In view of the aforesaid facts and circumstances, I find it appropriate to accede to the request of interim relief sought by NSAIL. Accordingly, NSAIL may proceed with the QIP Issue as approved by the Board of directors and shareholders of the company, in accordance with law.

Sd/-

**G MAHALINGAM**

**WHOLE TIME MEMBER**

**PLACE: MUMBAI**

**DATE: December 23, 2016**

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