

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER**

INTERIM ORDER

Under Sections 11, 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Tatia Global Vennture Ltd.

Background of case:

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) was in receipt of a letter no. F. No. 03/73/2017-CL-II dated June 9, 2017 from the Ministry of Corporate Affairs (hereinafter referred to as “MCA”) vide which MCA had annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA had also annexed the letter of Serious Fraud Investigation Office (hereinafter referred to as “SFIO”) dated May 23, 2017 which contained the data base of shell companies along with their inputs.
2. SEBI as a market regulator is vested with the duty under section 11(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) to protect the interests of the investors in securities and to promote the development of and regulations of securities markets by appropriate measures as deemed fit.
3. SEBI was of the view that the companies identified as shell companies by SFIO and MCA were potentially involved in:
 - (a) Misrepresentation including that of their respective financials and businesses and possible violations of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “LODR Regulations”) and/or

- (b) Misusing their respective books of accounts/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore reneging on the fiduciary responsibility cast on the board, controlling shareholders and key management person (KMP)
4. SEBI was also of the view that investors should be alerted on the possible enforcement actions by various authorities leading to potentially significant impact on the price of the stock.
 5. Therefore, in the interest of investors, SEBI took the pre-emptive interim measures under section 11(1) of SEBI Act in respect of listed shell companies including Tatia Global Vennture Ltd. (hereinafter referred to as "TGVL" / "Company"), vide its letter dated August 7, 2017, based on the view stated at para 3 and 4 above. SEBI placed trading restrictions on promoters/directors so that they do not exit the company at the cost of innocent shareholders. In view of the said objective, SEBI vide the letter dated August 7, 2017 also placed the scrip in the trade to trade category with limitation on the frequency of trades and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them on trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals by the stock exchanges, including by way of audit and forensic audit, if necessary. The measures also envisaged, on the final determination, delisting of companies from the stock exchange, if warranted. By virtue of these measures, trading in the scrip was not suspended but allowed under strict monitoring so that investors could take informed investment decisions till SEBI and stock exchanges complete their detailed examination of such companies.
 6. Pursuant to the above, BSE vide notice dated August 7, 2017, addressed to all its market participants, initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed companies as identified by MCA and communicated by SEBI, with effect from August 8, 2017.
 7. On August 09, 2017, SEBI further advised the Stock Exchanges to submit a report after seeking auditor's certificate, from all such listed companies, providing the status of certain aspects of the company like company's compliance with Companies Act,

whether company is a going concern, its business model, status of compliance with listing requirements, etc.

8. Vide its letter dated August 9, 2017, TGVV made a representation, *inter alia*, submitting as under:

“This is in reference to the SEBI Circular No. SEBI/HO/ISD/ISD/OW/P/2017/18183 dated August 7, 2017 to the concerned stock exchanges wherein 331 companies have been presumed to be shell companies. Our Company, TATIA GLOBAL VENNTURE LTD is also on the list and we would like to categorically state that our Company is not a shell company. The intent, the purpose, principle of our Company was never compromised. Appropriate notice was not given to the Company to justify whether our Company is actually a shell company and we further state that an appropriate opportunity should be given to us to convince your goodself about our integrity.

Our Company's, co-compliance track record with the Bombay stock exchange Ltd and the Ministry of corporate affairs has been impeccable. We have been following all the rules and regulations of SEBI and the Listing agreement entered into with the Bombay Stock Exchange Ltd as well as filing of all the required documents within the stipulated time to the Ministry of corporate affairs and all concerned authorities. The Company has duly filed all the tax returns up to date.

Our Company, TATIA GLOBAL VENNTURE LTD does not have any pending investor Complaints.

We therefore find it very surprising that the Company has been placed under the surveillance list of the shell Companies. We are ready to provide all the necessary information and extend our wholehearted cooperation to the regulators to resolve this issue so that the name of the Company is excluded from the shell companies at the earliest on merit basis. We are requesting SEBI to recall its order against the Company.

We request you to kindly take this on record in the interest of the Company and the shareholders.”

9. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and BSE, TGVV filed an appeal No. 216 of 2017 before Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). Hon'ble SAT vide order dated September 11, 2017 directed the following:-

"2. As the appellant has already made a representation to BSE against the said ex-parte order dated August 07, 2017, with a copy to SEBI, Counsel for the appellant on instruction seeks to withdraw the appeal with liberty to pursue the representation filed before SEBI. Accordingly, we permit the appellant to withdraw the appeal with liberty to pursue the representation pending before SEBI.

3. SEBI is directed to dispose of the representation made by the appellant as expeditiously as possible and in any event within a period of four weeks from today. It is made clear that passing of any order on the representation made by the appellant would not preclude SEBI from further investigating the matter and initiate appropriate proceedings if deemed fit."

10. Pursuant to above mentioned SEBI's letter dated August 9, 2017 (mentioned above), BSE has submitted its report on October 5, 2017 wherein it has *inter alia* observed the following:

"Company has submitted the auditor certificate from K. Subramanyam & Co, Chartered Accountants ... As per the Auditor Certificate, company has:

- a) filed income tax returns for the last 3 years and there are no dispute pending with income tax department.*
- b) filed annual returns with MCA for the last 3 years*
- c) company is a going concern*
- d) company has not borrowed any funds and there are no outstanding loans or borrowings from any banks or financial institutions.*
- e) company has complied with Listing Regulations filings for the last 3 years.*

Further, Exchange vide its email dated August 21, 2017 and October 04, 2017 offered an opportunity to the company if it wishes to have personal representation. The company vide its mail dated October 05, 2017 requested for personal hearing

after October 09, 2017. Therefore, a meeting shall be arranged in second week of October 2017.

Based on above, prima facie, the submissions made by the company appears to be in order.”

11. Hon'ble SAT in the matter of *J. Kumar Infra Projects Limited vs. SEBI* (order dated August 10, 2017) held that the measure taken by SEBI vide its letter dated August 07, 2017 was in the nature of quasi-judicial order and the same has been passed without investigation. Without prejudice to the powers enumerated in section 11(1) of SEBI Act, SEBI has been granted power under section 11(4) and 11B of SEBI Act, 1992 to pass order in the interests of investors or securities market by taking any of the measures enumerated therein either pending investigation or inquiry or on completion of such investigation or inquiry. The inquiry under section 11B of the SEBI Act can also be caused to be made by SEBI.

Hearing and Reply:

12. Pursuant to the decision of Hon'ble SAT, an opportunity of personal hearing was granted to TGVN on September 20, 2017 when its authorized representative appeared and made, *inter alia*, the following submissions:
- a. The company is a going concern and not a shell company.
 - b. No notice was given to the company to justify how it is not a shell company.
 - c. The company has been compliant in respect of all its filings under the applicable laws.
13. TGVN was asked to provide the information / response on the following points (supported by documentary evidence) as early as possible and latest by September 28, 2017:
1. *An unequivocal statement from the auditor as to whether in its view the company is a going concern or not; and whether the requirements for identifying a company as a going concern have been satisfied by the company.*
 2. *The Company has 6 wholly owned subsidiaries and each subsidiary has assets between 1-2 crore. Provide the details of these assets and also the back-up documents for the same.*

3. *With respect to non-current investment of Rs. 3 crore approx appearing in the balance sheet for the year 2016-17, a significant part of this investment is in a company called Kreon Financial Services Ltd., which is a related party. In this regard, provide details with supporting documents for the following:*
 - a. *Whether the procedure required to be followed for a related party transaction was followed?*
 - b. *Note 7. of the Standalone Financial Statement on Non- Current Investments states that the market value of this investment is Rs. 1.03 crore approx. Provide the reason as to why the investment is then recorded at 3 crore and also why the diminution in value has not been provided for.*
4. *With respect to long term advances of around Rs. 19 crore approx, in the annual report of year 2016-17, it is mentioned that it is a project advance. Provide the details of this advance with all supporting documents (sale deed/contracts, etc.). Also mention whether this advance amount is to any related party. If yes, then whether the procedure required to be followed for a related party transaction was followed? Also submit copies of all the supporting documents regarding the procedure followed for related party transaction (Board resolution, etc.).*
5. *Trade Receivables of Rs. 6.8 crore approx in the annual report of year 2016-17 are appearing against the revenue of Rs. 1.4 crore for the year 2016-17 which implies that the receivables are old. Provide the break-up of the same along with all supporting documents. In this regard, also provide the following:*
 - a. *Ageing Analysis*
 - b. *Whether it includes any receivable from a related party. Details of the same, if any*
 - c. *Back-up contract papers for the receivables which specify the credit term for the same including interest payable by party, if any*
 - d. *Certificate of auditor with respect to:*
 - *What documents were verified by the auditor with respect to trade receivables*
 - *What did he do to satisfy himself that these receivables are good and no provision for doubtful debt is required.*
6. *With respect to Bad Debts of Rs. 33 lacs (Annual Report 2016-17), provide the list of parties whose balance was written off along with the supporting documents like contracts, etc. with the party. Further, also specify whether any balance receivable from related party is classified as bad debt, and if, yes*

whether due process was followed in that regard (along with all supporting documents).

- 7. With respect to Investment in a company called "Dreamz Unlimited" amounting to Rs. 7.5 lacs, as per the annual report for the year 2016-17, it appears that this investment is sold but the same is not appearing in the Cash flow statement of the company. Provide explanation for the same. Also, provide Bank statement of the entire year 2016-17, highlighting where this money of Rs. 7.5 lacs was received by the company.*
- 8. With respect to Consolidated Financial Statements for the year 2016-17, Inventory of around Rs. 8 crore is appearing. Almost same amount is appearing under inventories for last few years with no change in inventory. Provide the details regarding the nature of inventory with break-up of what is included in it. Also provide the supporting purchase contracts for the same.*
- 9. Also provide Certificate of auditor with respect to:*
 - What documents were verified by the auditor with respect to Inventories?*
 - What has he done to satisfy himself that there is no loss of value with respect to these inventories and no provision for loss of the same is required*
- 10. With respect to the Income from operations of Rs. 1.44 crore approx in the financial year 2016-17, provide the break-up for the same party-wise and also provide the nature of the sales. Furnish all the back-up documents (invoices/deeds, etc) for the same.*

SEBI also sent an e-mail to the company on September 25, 2017 asking for the above information.

- 14. TGVV filed its response to the queries / information sought from it, which was received by SEBI on September 27, 2017. The query-wise response of TGVV is as under:*

Query 1. - An unequivocal statement from the auditor as to whether in its view the company is a going concern or not; and whether the requirements for identifying a company as a going concern have been satisfied by the company.

- The company submitted a certificate from the auditor certifying that the company is a going concern.*

Query 2. - The Company has 6 wholly owned subsidiaries and each subsidiary has assets between 1-2 crore. Provide the details of these assets and also the back-up documents for the same.

- The company enclosed the details of the lands held as stock in trade by the company under its six subsidiaries along with the relevant title documents.

Query 3. - With respect to non-current investment of Rs. 3 crore approx appearing in the balance sheet for the year 2016-17, a significant part of this investment is in a company called Kreon Financial Services Ltd., which is a related party. In this regard, provide details with supporting documents for the following:

a. Whether the procedure required to be followed for a related party transaction was followed?

b. Note 7. of the Standalone Financial Statement on Non- Current Investments states that the market value of this investment is Rs. 1.03 crore approx. Provide the reason as to why the investment is then recorded at 3 crore and also why the diminution in value has not been provided for.

- The company holds investment in equity shares of the following mentioned companies. The Cost and Market value of same are as under:

Name of Company	Quantity	Cost (as per books)	Market Value
Kreon Financial Services Ltd	19,50,000	Rs 2,92,50,000/-	Rs 1,03,35000/-
Stallion Brands India P Ltd	62500	Rs 6,25,000/-	Rs 6,25,000/-*

*private company hence book value taken as market value

- Further with regard to low market value of these investments we would like to submit that out of the above investments a sum of Rs 2,92,50,000/- relates to investment made in 19,50,000 listed equity shares of M/s Kreon Financial Services Ltd a related entity, The company has duly followed regulations and made the disclosure with regard to related party transaction and the same were

duly documented at the time of Making application with the stock exchanges at the time of preferential allotment.

- The market value of those shares as per the BSE data was Rs 5.30 per share accordingly the market value was determined and disclosed. However the book value of the said company stands at Rs 11.95 per share. As the company holds the said investment as Non-Current Investments the diminution based on market value of such shares has not been considered as per the Accounting Standard prescribed by the ICAI in this regard at time finalization of accounts for year and also a prudent accounting policy of the of company.

Query 4. - With respect to long term advances of around Rs. 19 crore approx, in the annual report of year 2016-17, it is mentioned that it is a project advance. Provide the details of this advance with all supporting documents (sale deed/contracts, etc.). Also mention whether this advance amount is to any related party. If yes, then whether the procedure required to be followed for a related party transaction was followed? Also submit copies of all the supporting documents regarding the procedure followed for related party transaction (Board resolution, etc.).

- The company submitted the details of Loans and Advances amounting to Rs 19,44,70,735/- along with the relevant documentation. The company submitted that there are no related party involved in the above said loans and advances.

Query 5.- Trade Receivables of Rs. 6.8 crore approx in the annual report of year 2016-17 are appearing against the revenue of Rs. 1.4 crore for the year 2016-17 which implies that the receivables are old. Provide the break-up of the same along with all supporting documents. In this regard, also provide the following:

a. Ageing Analysis

b. Whether it includes any receivable from a related party. Details of the same, if any

c. Back-up contract papers for the receivables which specify the credit term for the same including interest payable by party, if any

d. Certificate of auditor with respect to:

- *What documents were verified by the auditor with respect to trade receivables*

- *What did he do to satisfy himself that these receivables are good and no provision for doubtful debt is required.*

- The company submitted the details of Trade Receivables amounting to Rs 6,80,72,574/- along with the relevant documentation along with auditors certificate. The company has duly complied with the process for related party transaction involved in couple of cases wherever required. The Trade receivable are mostly from subsidiary companies which were given against procurement of lands at subsidiary level for infrastructure projects.

Query 6.- With respect to Bad Debts of Rs. 33 lacs (Annual Report 2016-17), provide the list of parties whose balance was written off along with the supporting documents like contracts, etc. with the party. Further, also specify whether any balance receivable from related party is classified as bad debt, and if, yes whether due process was followed in that regard (along with all supporting documents).

- The company has written off certain bad debts during the year to the tune of Rs 1 55 58 330/- and has also written back certain outstanding dues against the same to the tune of Rs1,22,75,918/-. The Net amount of such write off and write back stands at Rs 32,82,412/-. The company enclosed the relevant details and documents of the same. There are no related party involved in the bad debts written off.

Query 7.- With respect to Investment in a company called "Dreamz Unlimited" amounting to Rs. 7.5 lacs, as per the annual report for the year 2016-17, it appears that this investment is sold but the same is not appearing in the Cash flow statement of the company. Provide explanation for the same. Also, provide Bank statement of the entire year 2016-17, highlighting where this money of Rs. 7.5 lacs was received by the company.

- The company has realized back the amount of Rs 7,50,000/- from the Investment made in M/s Dreamz Unlimited during the F.Y.2016-17. The ledger account and the confirmation regarding the same were enclosed by the company. The receipt of the same is disclosed in the attached bank statements. Further with regard to

disclosure of the same in cash flow instead of falling under investing activities the same were inadvertently grouped under realization of other current assets.

Query 8. & 9 - With respect to Consolidated Financial Statements for the year 2016-17, Inventory of around Rs. 8 crore is appearing. Almost same amount is appearing under inventories for last few years with no change in inventory. Provide the details regarding the nature of inventory with break-up of what is included in it. Also provide the supporting purchase contracts for the same.

Also provide Certificate of auditor with respect to:

- What documents were verified by the auditor with respect to Inventories?*
 - What has he done to satisfy himself that there is no loss of value with respect to these inventories and no provision for loss of the same is required*
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- The inventories standing are in inform of lands. The details with documents of the lands were enclosed by the company. The Auditors Certificate in relation to Inventory being considered as good was also encoded.

Query 10. - With respect to the Income from operations of Rs. 1.44 crore approx in the financial year 2016-17, provide the break-up for the same party-wise and also provide the nature of the sales. Furnish all the back-up documents (invoices/deeds, etc) for the same.

- The company enclosed the break-up of the Gross Revenue of Rs 1,44,01,313/. The company also enclosed the Bank Statement for the financial year 2016-17.

Consideration of issues:

15. On perusal of the material available on record, the following issues arise for consideration.

- (a) Whether there is *prima facie* evidence of misrepresentation by TGVV including that of its financials and/or its business and is there any possible violation of LODR Regulations by the company.
- (b) Whether there is *prima facie* evidence to show that the company is misusing the books of accounts / funds including facilitation of accommodation entries, to the

detriment of minority shareholders and therefore the board, controlling shareholders and KMP are reneging on the fiduciary responsibility cast on them.

- (c) In view of the determination on the above issues and the order of SAT in the aforesaid appeal, whether, in light of the representation of the company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.

16. On the basis of documents available on record, my observations on above issues are as under:

Issue No. 1. *Whether there is prima facie evidence of misrepresentation by TGV including that of its financials and/or its business and is there any possible violation of LODR Regulations by the company.*

Issue No.2. *Whether there is prima facie evidence to show that the company is misusing the books of accounts / funds including facilitation of accommodation entries, to the detriment of minority shareholders and therefore the board, controlling shareholders and KMP are reneging on the fiduciary responsibility cast on them.*

17. Based on the material available on record, *prima facie* observations are as under:

- i) The total assets appearing in the Annual Report of 2016-17 in the subsidiaries are the land held by the subsidiaries as stock in trade and the relevant title documents for the same are provided by the company. As per the annual report 2016-17, total assets held in subsidiary amounts to Rs.9.89 crore.
- ii) From the preliminary examination of title documents/sale deeds provided by the company, it is observed that all the land parcels except one were purchased by the subsidiaries on May 26, 2008. One land parcel of 1.07 acres was purchased by Sundervans Infrastructure and Developers Private Limited (one of the subsidiary) on May 26, 2009, of which sale deed is not provided. It is also observed that most of the land parcels are purchased from related parties (Promoter/Director/Companies in which KMPs have interest).
- iii) The details of supporting title documents/sale deed provide by the company for verification in comparison to the total assets of the subsidiaries as appearing in

the annual Report for the year 2016-17 and Value as per Auditor's Certificate, is as under:

(Rs. in lakhs)					
Sr. No.	Name of Subsidiary	Extent (in acres)	Total Assets of Subsidiaries as on March 31, 2017	Value of land (cost price) as per the land deeds provided by company	Value as per Books (as per auditor certificate with respect to Inventories)
1	Dever Betta Lands Pvt. Ltd.	41.38	183.41	16.55	141.60
2	Sundervans Infrastructure & developers Pvt. Ltd.	44.4*	146.00	17.76	141.30
3	Thali Estate Pvt. Ltd.	41.55	146.64	17.02	142.19
4	Sagarvar Gambhira Developers Pvt. Ltd.	23.74	154.81	9.49	154.05
5	Kalyanang Developers Pvt. Ltd.	34.52	192.48	13.81	141.13
6	Pajjuvasami Developers Pvt. Ltd.	34.25	165.75	13.70	157.42
	Total	219.84	989.09	88.34	877.69

*excludes 1.07 acres sale deed dated May 26, 2009 of which the Sale deed is not provided by the company

- iv) As per the explanation given for the total assets of the company, the entire amount of Rs. 9.89 crore appearing as total Assets of subsidiaries is stock in trade held in form of land, however, as per the explanation of Rs. 8.77 crore inventory appearing in Consolidated Financial Statement of 2016-17, the auditor has certified that inventory (land holding) amount is Rs. 8.77 crore.
- v) From the above, it is observed that the land extent (in acres) as per the sale deeds provided by the company and the auditor's certificate with respect to inventories of Rs. 8.77 crore is the same. As per the auditor's certificate, the *"Inventories have been valued as cost price being the lesser of cost or market price and as per the accounting standard prescribed by ICAI in this regard"*. However, as noted from the preliminary examination of the sale deeds provided by the company, the total cost price of land purchased by the subsidiaries of TGVV is Rs. 88.34 lakh. Hence, there is a significant discrepancy in the cost of the land shown in the consolidated financials of TGVV and the actual cost as per the sale deeds. Also, there is a mismatch in the explanation provided by the company regarding the total assets of subsidiaries and inventories appearing in consolidated financials of TGVV for the FY 2016-17. Thus, there is a *prima facie* evidence of misrepresentation of financials / transactions by the company.
- vi) In the submission made by the company to the Stock Exchanges, the company has stated that *"the company is currently engaged in to and primarily focused on Infrastructure related business activities likes of Information Technology park on Joint Investment model basis. The company is also engaged into township plan through inorganic business model by way of its wholly owned subsidiaries where it holds land bank of 200 plus acres in the immediate vicinity of information technology hub of Bangalore City as part of its business model. The nature and type of business in which the company is primarily engaged requires long gestation period alongside the various statutory clearance from the concerned governments and statutory bodies which are currently under process work."*
- vii) In this regard, it is noted that the land parcel was acquired in 2008 and till date no clearance for the same has been received as per company's reply. Since, the land was purchased from related entities in May 2008 and no statutory clearance

has been received from the concerned governments and statutory bodies till date, the purchase of land is *prima facie* not in interest of the minority shareholders as the subsidiaries have not generated any income from these assets till date.

viii) The company has provided list of entities from whom Loans and Advances are receivable as on March 31, 2017 along with the amount receivable. The total long term Loans & Advances as per the Balance Sheet of the year 2016-17 is Rs. 19.44 crore. The company has provided the break-up of these loans and advances along with the supporting agreements and confirmation of accounts sent by company to the entity except for advance of Rs. 8.05 lakhs to Prince Property Managements of which the company has not submitted agreement for verification. From the preliminary examination of agreements submitted by the company, it is observed that

- a) Advance of Rs. 11.94 crore is appearing as advance against purchase of property worth Rs. 51.04 crore. The company has provided 2 agreements for sale entered into on January 04, 2016 between TGV L and Prince Foundations Ltd for purchase of land. As per the agreements, the said properties are under mortgage with some banks and will be transferred in the name of TGV L on release of mortgage and if the release of documents is delayed beyond June 30, 2016, TGV L will get interest at the rate of 9%. As per the confirmation of accounts submitted by company, it appears that the company has charged the amount of Rs. 91 lakhs as interest receipts to Prince Foundations Ltd. which implies that the release of documents of land mortgage has not yet taken place and the land is not yet transferred in the name of TGV L. Further, the interest due had not been received till March 31, 2017. Hence, the advance amount is *prima facie* not in interest of public shareholders, as the company has purchased mortgaged property whose title is yet not received by them even after more than 15 months of purchase as on March 31, 2017.
- b) Further, from the confirmation of accounts of Prince Foundation Ltd. given by the company, it appears that TGV L has received Rs. 6 crore from Prince Foundation Ltd. No explanation is provided by TGV L for receipt of funds from the party to whom advance for purchase of property is given.
- c) As per the Agreements for Sale with Prince Foundation Ltd, "*the Purchaser (TGV L) has paid a sum of Rs. 15 crore (7.5 crore + 7.5 crore) as advance sale*

consideration for property which is by way of adjustment of the loan amount already lying with Vendor(Prince Foundations Ltd.)." Hence, prima facie there is no clarity regarding as to when there was transfer of funds related to the advance for purchase of property and no detail has been provided by the company in this respect. Thus, the genuineness of these property related transactions is suspect.

- d) With respect to advance of Rs. 7.27 crore to Jaswanth Chand Bhandari, as per the agreement dated Aug 23, 2013, given by the company the advance is for joint venture in jointly funding Tamil Movies over a course of time, where the entity to whom advance is given assures a guaranteed return of 12% p.a. return on investment. Against the agreement the company has given advance of Rs. 6.5 crore in year 2016-17 to the entity, however, interest had not been received until March 31, 2017. The agreement does not specify any amount of advance. As the advance does not relate to the nature of business of company which is textile and infrastructure related activities, the advance amount is prima facie not in interest of minority shareholders.
- e) The company has given an advance of Rs. 10 lakhs in Oct 2013 for purchase of residential property worth Rs. 20 lakhs. As per the reply of company this property's registration of sale deed has not been completed till date. Hence, prima facie the amount of advance is not in interest of minority shareholders as no interest is being received for the delay in registration.
- ix) All the trade receivables of Rs 6.80 crore are more than 2 year old as per the reply of company. Of the total receivables of Rs. 6.80 crore, around Rs. 6.09 crore is receivable from the 6 subsidiaries. The company in its reply has stated that the receivables from subsidiaries are against procurement of lands at subsidiary level for infrastructure projects. In this regard the company has not provided any back-up documents showing compliance of related party procedure.
- x) As per the details of the total assets in subsidiary the company has submitted the details of land purchased by subsidiary amounting to around Rs. 88 lakhs only. Hence, no details have been provided by the company with respect to the balance amount appearing as receivable from subsidiary and against which property the said amount is receivable. For the balance receivables the

company has not provided any documents/ contract. Hence, the authenticity of same is doubtful.

- xi) For the receivables other than from subsidiaries amounting to Rs. 71 lakhs approx, TGVV has not provided any details or supporting documents.
- xii) Further, the classification of advance given to subsidiary for purchase of land as Trade Receivable is also questionable as *"A receivable shall be classified as 'trade receivable', if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. Hence, amounts due under contractual rights, other than arising out of sale of goods or rendering of services, cannot be included within Trade Receivables."* (Guidance Note ICAI)
- xiii) The company has provided copy of board resolution for bad debts of Rs. 1.55 crore along with the arbitration proceeding details with respect to the receivable amount verification. The company has however not provided the documentary evidence of which the amount of Rs. 1.22 crore was written back.
- xiv) As per the board resolution, the amount is not immediately payable due to contractual failure on the part of concerned parties and hence considered the amount to be written back. The names of parties of whom payable is written back is provided in resolution. The company has not provided any backup papers/contracts against whom this amount was payable. Further, the amount of payable written back Rs. 1.22 crore is net off against bad debts of Rs. 1.55 crore which has resulted in understatement of "other income" & "Expenses" of the company, thereby not reflecting true & fair view of the financials.
- xv) The company has provided the break-up of Income from Operations of Rs. 1.44 crore. The company has not provided any supporting documents (invoices/deeds, etc.). Further the balance of Rs. 4 lakhs is miscellaneous income of which no details have been provided but the same has also been included in "Income from Operations" for the year 2016-17.

18. In view of the above, I find that in respect of land transaction of the companies' subsidiaries there is a significant discrepancy between the claimed value in the

financials, the basis of valuation claimed by the auditor and the actual sale deeds. Thus, there is prima facie evidence of misrepresentation of financials by the company. Further, there have been several transactions which prima facie appear to be detrimental to the interest of public shareholders of TGVV and thus, there is a suspicion of misuse of funds/books by TGVV.

Issue No. 3. *In view of the determination on the above issues, pursuant to SAT Appeal and the order of SAT in the said appeal, whether, in view of the representation of the Company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.*

19. In view of the *prima facie* observations regarding misrepresentation of financials by the company and the suspicion regarding misuse of books of accounts/funds by the company, the persons who are in control of the company and the directors of the company are *prima facie* liable for action by SEBI and should not be permitted to exit the company at the cost of innocent shareholders.
20. Further, on account of the observations regarding misrepresentation of financials by the company and the suspicion regarding misuse of books of accounts/funds by the company, it is also imperative that in the interest of investors, the financials of the company including the financials of consolidating subsidiaries be independently audited to establish their genuineness.
21. Pending inquiry/ audit, considering the interest of public shareholders involved in TGVV, I find it appropriate to revert the trading in securities of TGVV to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
22. In view of the above, I am of the view that following urgent interim actions are required to be taken, pending audit/further enquiry.

INTERIM ORDER

23. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me under sections 11, 11(4), 11A and 11B read with section 19 of the Securities and Exchange Board of India Act, 1992, hereby, modify the actions

envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against TGVV and direct as under:

- i. The trading in securities of TGVV shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
- ii. Stock Exchange shall appoint an independent forensic auditor, *inter alia*, to further verify:
 - a) Misrepresentation including of financials and/or business of TGVV and consolidating subsidiaries, if any;
 - b) Misuse of the funds/books of accounts of TGVV and consolidating subsidiaries, if any.
- iii. The promoters and directors in TGVV are permitted only to buy the securities of TGVV. The shares held by the promoters and directors in TGVV shall not be allowed to be transferred for sale by depositories.
- iv. The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d) as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against TGVV.

24. The 'directors' for the purpose of directions above shall mean and include:

- a) the persons who are acting as directors on the date of this order, or
- b) the persons who were acting as directors of this company as on August 07, 2017, who cease to be director by way of disqualification by any other authority, or by way of resignation or by any other means, on or after August 07, 2017.

25. Accordingly, the representation dated August 9, 2017 made by TGVV is disposed of.

26. The above directions shall take effect immediately and shall be in force until further Orders.

27. The findings in this order have been rendered on the basis of the *prima facie* evidence available at this stage. However, detailed examination / forensic audit needs to be undertaken to unearth the entire extent of violations. In this context, TGVV is advised to file its reply/objections to this *interim order*, if any, within 30 days

from the date of receipt of this Order and may also indicate whether it desires to avail an opportunity of personal hearing on a date and time to be fixed on a specific request made in that regard. In the event TGVV fails to file its reply or to request for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and *ad-interim* directions shall stand confirmed against TGVV automatically, without any further orders.

28. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for their information and necessary action. A copy of this Order shall also be forwarded to the Ministry of Corporate Affairs and Serious Fraud Investigation Office for their information.

Sd/-

DATE: OCTOBER 9, 2017
PLACE: MUMBAI

MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA