

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 M/s Jalan Cement Works Limited (PAN: AAACJ6788R)

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 has annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA has 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 SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”) of protecting 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 companies whose names are included as shell companies by SFIO and MCA, were potentially involved in
 - (a) Misrepresentation including of its financials and its business and possible violation of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “**LODR Regulations**”) and/or
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- (b) Misusing the books of accounts/funds of the company 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 action 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, 1992, in respect of listed shell companies including M/s Jalan Cement Works Limited (hereinafter referred to as “**JCWL**” / “**Company**”), vide its letter dated August 7, 2017, based on the view stated at para 3 and 4 above. SEBI placed trading restrictions, on the 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 said letter dated August 7, 2017 also placed the scrip in the trade to trade category with limitation on the frequency of trade and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals by the 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 measure, trading in scrip was not suspended but allowed under strict monitoring so that investors could take informed investment decisions, till SEBI and Exchanges completed their detailed examination of such companies.
6. Pursuant to the same, Bombay Stock Exchange Limited (hereinafter referred to as “**BSE**”) vide notice dated August 7, 2017, National Stock Exchange of India Limited (hereinafter referred to as “**NSE**”) vide notice dated August 7, 2017 and Metropolitan Stock Exchange of India Limited (hereinafter referred to as “**MSE**”) vide notice dated August 07, 2017, to all its market participants, initiated actions envisaged in the SEBI letter dated August 7, 2017 in

respect of all the listed securities as identified by MCA and communicated by SEBI, with effect from August 8, 2017.

7. On August 09, 2017, SEBI further advised the 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 requirement with Companies Act, whether company is a going concern and its business model, status of compliance with listing requirements, etc.
8. JCWL vide its letter dated September 11, 2017 had made a representation to SEBI submitting that the foundation of the company is based on the fundamentals of good business and ethical practices, the company did not fall into any criteria of being a Shell Company. In the year 1998 the company was registered as Non-Banking Financial Company (**NBFC**) under Reserve Bank of India (**RBI**) Act, 1934. The core business activity of the company is lending and providing advance money to persons, firms or companies. The turnover of the company for financial year 2014-15, 2015-16 and 2016-17 is Rs. 9,16,57,597/-, Rs 7,32,61,349/- and Rs. 24,43,04,650/- respectively.
9. In the meantime, aggrieved by the aforesaid letters dated August 7, 2017 issued by SEBI and MSE, JCWL filed an appeal No. 240 of 2017 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**"). The Hon'ble SAT vide order dated September 15, 2017 directed the following:-

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As the appellant has already made a representation to MSE against the said ex-parte order dated 7th August, 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.

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. The Hon’ble SAT in the matter of *J. Kumar Infra Projects Limited vs. SEBI* dated August 10, 2017 held that the measures 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.
11. SEBI vide letter dated September 26, 2017 had advised JCWL to provide following information:
 - (a) Summary of dealings of the Company/Director of the company with or through Mr Pawan Kumar Drolia, Mr. Kishor Jai Ramka, and Mr. Dilip Kumar Piplwa, either directly or indirectly, including the nature and quantum thereof. Provide details of the all transactions along with supporting documents;
 - (b) Details of Association of the company/director of the company, whether direct or indirect, with Mr Pawan Kumar Drolia, Mr. Kishor Jai Ramka, and Mr. Dilip Kumar Piplwa;
 - (c) Details of any submissions made to Income Tax Department by Company/Directors or Promoters during 2014 to 2016, if yes, provide the copy of the documents/letter;
 - (d) Details of employees on the rolls of the Company, their respective roles, remuneration received qualifications and experience for the job. Details of Provident Fund contributions made by the Company for the aforesaid employees. For ease of furnishing the information,

broad categories of roles: Blue collar, Junior management, Middle management, senior management, may be given in a consolidated manner

12. JCWL vide its letter dated October 04, 2017 submitted the information sought by the SEBI's letter dated September 26, 2017, which are as under:

- (a) Reply to query 1: *The present management and promoters do not have any dealings or transactions with Mr. Pawan Kumar Drolia & Mr. Kishor Jai Ramka. Further, the current management only dealt with Dilip Kumar Piplwa for the purposes of takeover of the Company under due process of SEBI Takeover code handled by a SEBI registered merchant banker. Mr. Dilip Kumar Piplwa served as a Director on the Board of the Company, from July 1, 2010 to April 1, 2016. (He served as a Whole Time Director w.e.f. 13.08.2014)*
- (b) Reply to query 2: *The present management, Company and promoters do not have any associations whether direct or indirect with Mr. Pawan Kumar Drolia & Mr. Kishor Jai Ramka. Details of associations of the Company/ Director of the Company with Mr. Dilip Kumar Piplwa is already mentioned in point (a) above.*
- (c) Reply to query 3: *The Company has made submission to Income Tax Department for the FY 2014-2015 so far and copy of the same is attached. No submission has been made to Income Tax Department for the F.Y. 2015-2016.*
- (d) Reply to query 4: *List of employees on the rolls of the Company with their respective roles, designation, remuneration, experience & qualification for the job is enclosed. Employees' Provident Fund and Miscellaneous Provisions Act 1952 is not applicable to the Company as there are less than 20 employees in the Payroll of the Company. As on October 01, 2017, there are total 8 employees in the company.*

Hearing and Reply:

13. Pursuant to the decision of Hon'ble SAT that the communication of SEBI dated August 7, 2017 is in the nature of quasi-judicial order, SEBI vide communication dated September 21,

2017, granted an opportunity of hearing to JCWL on September 27, 2017. On September 27, 2017, Mr. Prakash Shah, Advocate, Prakash Shah & Associates, Authorized Representative (hereinafter referred to as “AR”) appeared for JCWL and made oral submissions which are as under:

(a) JCWL is a NBFC company registered with Reserve Bank of India (RBI).

(b) In the year 2013, Mr. Nimish Arora, Mrs. Namrata Arora and M/s Sindhwani Metal Engineering Private limited had made an open offer for acquisition of 29,12,661 shares from the shareholders of the company. For open offer company had took all approvals from SEBI. Since the takeover, the current management had not done any transaction which had triggered any inquiry.

(c) In the year 2016-17, Company's turnover was approximately Rs. 20 Cr.

AR was advised to submit the following information along with full backup documentation / documentary evidence latest by October 04, 2017:

(a) Separate affidavits from Shri Prateek Arora and Shri Nimish Arora stating “Whether at any point of time they know or had spoken to Shri Pawan Kumar Drolia, Shri Kishor Jai Ramka, Shri Dilip Kumar Piplwa & Shri Parmanand Drolia; if yes, details of what it was regarding”.

(b) From FY 2015-16 to 2016-17, income is increased by 200%. An explanation for the same, if there are any major clients, than list of these client and if investment than list of major investments with value.

(c) Long term loans and advances (assets) have decreased in the FY 2016-17. An explanation for the same, list for Rs.16.20 crore as at March 31, 2016 and highlighting the corresponding receipt entries in bank accounts (i.e. repayment of loans) in FY 2016-17.

(d) The company reported Rs.63.26 crore as an inventories in FY 2016-17. Furnish the full breakup and an auditor certificate with the basis of valuation.

- (e) *The company in its FY 2016-17 results reported an amount of Rs.418.00 lakhs as a revenue from real estate. Furnish the documents i.e. purchase deed and sale deed.*
- (f) *Income from operations have increased to Rs.2,025.05 lakhs in FY 2016-17. Furnish the breakup of top 10 contributors for the same alongwith back up documents.*

14. SEBI vide email dated September 28, 2017 has also advised JCWL to furnish the aforesaid information by October 04, 2017.

15. JCWL vide its letter dated October 04, 2017 submitted the information sought by SEBI at the time of hearing and vide email dated September 28, 2017, which are *inter alia* as under:

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- (a) Reply to query 1: *Separate affidavits from Shri. Prateek Arora and Shri. Nimish Arora stating "Whether at any point of time they know or had spoken to Shri Pawan Kumar Drolia, Shri Kishor Jai Ramka, Shri Dilip Kumar Piplwa & Shri Parmanand Drolia" are attached.*
- (b) Reply to query 2: *We understand that this query is in relation to the "revenue from operations" of the company. During the Financial Year 2016-17 after the complete takeover of the Company by the new management, it has become more active in realignment of its inventories in shares by selling shares of those companies, which had lower prospects in future and purchasing shares of those companies on which the management had a more positive view. Real Estate business has been under heavy pressure and slowdown in real estate was expected to continue for a longer period and hence company was trying to sell its real estate stock and put them into more liquid instruments. During the Financial Year 2016-17 the company was able to liquidate most of its real estate inventories. This realignment of the portfolio by the new management has increased the activity in shares and led to higher volume of transactions during the Financial Year 2016-17. The breakup of the entire revenue is enclosed.*
- (c) Reply to query 3: *Due to low inflation and downward interest rate movement and an expectation of further reduction in interest rate by RBI, it was expected that interest on loans would further fall and the management took a conscious decision to realign the*

portfolio towards shares and reduce its exposure towards loans. Further the Banks are also flushed with funds and have limited avenues to invest thereby putting more pressure on interest rates. The list of Loans and Advances of Rs 16.20 Crore as on 31.03.2016 is enclosed. The copy of confirmation of accounts of borrower is enclosed. Highlighted corresponding receipt entries in bank accounts are enclosed.

- (d) Reply to query 4: The company has Inventories of Rs. 63.26 Crores as on 31.03.2017. Being a listed NBFC company, Jalan Cement Works Ltd can purchase shares of other private limited companies at a price below to the book value of respective companies. The Breakup of inventories of Rs. 63.26 Crores are enclosed. Copy of respective share certificates are enclosed. Auditor certificates certifying the basis of valuation is enclosed.*
- (e) Reply to query 5: During the Financial Year 2016-17 company has sold its real estate inventories. The documents showing the purchase and sale of these inventories are attached.*
- (f) Reply to query 6: We are unclear on the source of the figure mentioned in your query letter i.e. Rs. 20.25 Crores. The breakup of top 10 contributes to the revenue has already been included in the list give in reply to point (b). Shares Sales bills are attached as backup Documents. Loan agreements are attached for proof of Interest Income. Sale agreements are attached....”*

16. Pursuant to SEBI's letter dated August 9, 2017, MSE submitted its report vide email dated October 09, 2017 stating that, Company has submitted the Statutory Auditor Certificate. As per the Statutory Auditor Certificate, Company is listed at MSE and Calcutta Stock Exchange (CSE). At CSE, in the Financial Year (FY) 2015-16, the Company was suspended due to non-compliance of Listing Agreement and the same was revoked from suspension w.e.f. September 02, 2016. After the revocation of suspension, company has complied with all the applicable requirements of the Listing Regulations till September 11, 2017. Since listing at MSE, the Company is compliant with SEBI (LODR) Regulations, 2015 and Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996. Further, Company had filed the Annual Income Tax Return for FY 2014-15, 2015-16 and 2016-17, Company had complied with all applicable provisions of Companies Act, 2013 & had filed annual return for financial year

2013-14, 2014-15 and 2015-16, Company had complied with all the applicable requirements of the Listing Regulations, Company is a going concern and company has not defaulted to any bank/financial institution as on September 11, 2017. However, no specific recommendation was made by MSE.

Consideration:

17. On perusal of the materials available on record, the following prima facie/potential issues arise for consideration.

- (a) Whether there is prima facie evidence of misrepresentation including of its financials and/or its business and 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 account/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, 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.*

18. 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 including of its financials and/or its business and possible of 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 account/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.*

19. Based on the replies given by the company in response to SEBI's queries, prima facie observations are as under:

- (a) Vide affidavit dated October 03, 2017, Mr. Prateek Arora stated that he was appointed as a Managing Director of the company w.e.f. August 13, 2016. He has not known, neither spoken to nor had a meeting with Mr. Pawan Kumar Drolia or Mr. Kishor Jai Ramka or Mr. Dilip Kumar Piplwa or Mr. Parmanand Drolia.
- (b) Vide affidavit dated October 03, 2017, Mr. Nimish Arora stated that he knows Mr. Dilip Kumar Piplwa and Mr. Parmanand Drolia, as they were earlier directors of the company and were operating a broking company through which he came in contact with them. They had a proposal for friendly takeover of JCWL, a NBFC company registered with RBI in which he was interested and the takeover of the company was done through Open Offer handled by a SEBI registered Merchant Banker. He came on the Board of Directors of JCWL on April 30, 2015 and on the same date Mr. Parmanand Drolia resigned from the Board. He and Mr. Dilip Kumar Piplwa were on the Board of the Company and he have no relationship other than discussing business related issues of the company and to takeover of all the statutory records and documents until Mr. Dilip Kumar Piplwa resigned from the Board on 01.04.2016. He has not known, neither spoken to nor had a meeting with Mr. Pawan Kumar Drolia or Mr. Kishor Jai Ramka.
- (c) It is observed that the income of the company has increased by 200% from FY 2015-16 to 2016-17. From the submission of the company, the break-up of total income for FY 2016-17 are as under:

Income Heads	Income in INR	% of Total Income
Sale of Shares	16,94,92,850	69.38
Sale of Immovable Property	4,18,00,000	17.12
Interest	3,29,86,800	13.50
Dividend	25,000	0.00
Total Income	24,43,04,650	100.00

The major contributors/clients for revenue/income from sale of shares are as under:

Sl.No.	Name of Client	Sale of Shares
1	Prerana International Pvt. Ltd. (PIPL)	6,21,18,750
2	Yog Raj Arora	2,54,45,100
3	Ankhi Das	2,52,00,000
4	Garner Finance And Securities Pvt. Ltd. (GFSPL)	1,80,00,000
5	Aarone Buildtech Pvt. Ltd. (ABPL)	1,37,25,000
6	Drolia Agencies Pvt. Ltd. (DAPL)	1,14,00,000
7	Anju Arora	59,04,000
8	Asha Arora	30,42,000
	Total	16,48,34,850

The details of sale of shares by the company are as under:

Company Name (whose shares are sold)	No. Of Shares	Name of the Purchaser
Garner Finance And Securities Pvt. Ltd.	8,28,250	Prerana International Pvt. Ltd. (PIPL)
Bestech India Pvt. Ltd.	86,355	1. Ankhi Das – 28,000 Qty 2. Yog Raj Arora – 28,590 Qty 3. Garner Finance And Securities -20,000 Qty 4. Anju Arora -6,560 Qty 5. Homender Kumar Arora – 2,000 Qty 6. Gaurav Sales Corp. – 1,205 Qty
GRD Commodities Ltd	1,00,000	Drolia Agencies Pvt. Ltd.
Aarone Developers Pvt. Ltd.	5,500	1. Aarone Buildtech Pvt. Ltd. – 4,500 Qty. 2. Asha Arora -1,000 Qty
Trehan Promoters Pvt. Ltd.	10,000	Mr. Abhishek Trehan
Durga Construction Pvt. Ltd.	1,000	Mr. Ashok Kumar Jawa

Further, PIPL was the client from which an income of Rs. 2,76,00,000/- was generated from the sale of immovable property. Out of total interest income of Rs.3.29 crores, Rs.2.27 crores is from enterprises namely Advent Hospitality Private Limited and Best Portfolios

Private Limited. As per Annual Report 2015-16, these enterprises are KMP / Relatives of KMP having significant influence or control.

(d) The details of major Loans and advances are as under:

Party Name	Balance as on (in INR)	
	31.03.2016	31.03.2017
Best Portfolios Pvt. Ltd.	4,95,54,610	30,21,110
Gyan Marketing Associates Pvt Ltd	2,31,94,470	0
Lok Nath Farms Pvt Ltd	1,35,82,160	27,14,360
Metrovalley Business Park Pvt. Ltd	4,74,02,572	1,79,55,272
S N Jee Build Well Pvt Ltd	92,51,730	1,88,17,000

(e) As per the affidavit of Mr. Prateek Arora and Mr. Nimish Arora, Mr. Yog Raj Arora is the father of Mr. Prateek Arora and Mr. Nimish Arora. As per MCA website, following are the list of companies in which Mr. Nimish Arora, Mr. Prateek Arora, Ms. Anju Arora, Ms. Asha Arora, Mr. Homender Kumar Arora, Mr. Vinod Kumar Arora, Mr. Parmanand Drolia and Mr. Rajeev Manchanda are directors:

Sr. No.	Name of persons	Designation	Company
1	Mr. Nimish Arora	Director	Jalan Cement Works Limited
			Aarone Buildtech Pvt. Ltd
			Aarone Infrastructure Private Limited
			Aero Promoters Private Limited
			Best Portfolios Pvt. Ltd.
			Aarone Resorts Pvt. Ltd.
			Aarone Developers Pvt. Ltd.
			S N Jee Build Well Pvt Ltd
2	Mr. Prateek Arora	Director	Jalan Cement Works Limited
3	Ms. Anju Arora		Garner Finance And Securities Pvt. Ltd.
4	Ms. Asha Arora	Director	Aarone Buildtech Pvt. Ltd.
			Aarone Infrastructure Private Limited
			Aarone Resorts Pvt. Ltd.
			Lok Nath Farms Pvt Ltd

5	Mr. Parmanand Drolia	Erstwhile Director	Jalan Cement Works Limited
		Erstwhile Director	Drolia Agencies Pvt. Ltd.
6	Mr. Homender Kumar Arora	Director	Aarone Buildtech Pvt. Ltd.
			Aarone Infrastructure Private Limited
			Aero Promoters Private Limited
			Aarone Developers Pvt. Ltd.
			Best Portfolios Pvt. Ltd.
			Lok Nath Farms Pvt. Ltd
			S N Jee Build Well Pvt Ltd
7	Mr. Rajeev Manchanda	Erstwhile Director	Garner Finance And Securities Pvt. Ltd.
		Director	Prerana International Pvt. Ltd.
8	Mr. Vinod Kumar Arora	Director	Gyan Marketing Associates Pvt. Ltd.

(f) From para 19(c) and 19(e) above, there appears to be *prima facie* evidence that major revenue/income of the company was generated through transactions either directly or indirectly with connected/related entities. Since many of the transactions relate to shares of unlisted entities. There appears to be *prima facie* suspicion about the genuineness of these transaction and possible misuse of books of accounts/funds.

(g) From para 19(d) and 19(e) above, there appears to be *prima facie* evidence that the company has granted loans and advances either directly or indirectly to some of the connected/related entities. During the course of hearing, JCWL was advised to submit the documentary evidence for loans and advances. JCWL had submitted the loan agreements. Upon perusal of agreements, it is observed that these agreements are neither stamped or notarized nor registered, therefore authenticity of these agreements is questionable. This is *prima facie* detrimental to the interests of public shareholders. Thus, there appears to be *prima facie* suspicion of misuse of books of accounts/funds.

(h) In the financial results of FY 2016-17, the company has reported an amount of Rs. 418 lakhs as revenue from real estate. During the course of hearing, JCWL was advised to submit the purchase deed and sale deed for the same. JCWL has submitted the sale deed.

Upon perusal of sale deed, it is observed that these sale deeds are on Rs. 100/- e-stamp, however, these sale deeds are neither notarized nor registered. Therefore, it is difficult to ascertain the fair value of these transactions. Thus, there appears to be *prima facie* suspicion of misuse of books of accounts/funds.

- (i) JCWL has submitted the bank statement of Axis Bank, A/c. No. 914020012631612 from 01-04-2016 to 01-05-2017 and Kotak Mahindra Bank, A/c. No. 0212344367 from 01-12-2016 to 06-09-2017. On analysis of these banks account statements of JCWL, it is observed that there are entries of funds received by JCWL from single/multiple entities and transferred to other entity/entities on the same / next day. This does not appear to be consistent with a normal lending pattern of NBFCs. This pattern of back-to-back transactions leads to suspicion that the books of accounts may have been used to facilitate accommodation transactions. Few sample instances from the bank statements are as follows:

15-02-2017	RTGS BARBR52017021500833860	RTGSINW- GYAN MARKETING ASSO	0012102528	6,000,000.00	6,360,718.50(Cr)
15-02-2017	RTGS BARBR52017021500841577	RTGSINW- GYAN MARKETING ASSO	0012103067	2,000,000.00	8,360,718.50(Cr)
15-02-2017	RTGS-KKBKR52017021500789019-	AARON INFRASTRUCT	000051029631	6,000,000.00	2,360,718.50(Cr)
15-02-2017	RTGS-KKBKR52017021500789171-	AARON INFRASTRUCT	000051029884	2,000,000.00	360,718.50(Cr)

07-03-2017	RTGS HDFCR52017030791600174- ANKHI DAS	RTGSINW- 0012348477	24,000,000.00	24,195,247.62(Cr)
07-03-2017	RTGS ICICR52017030700870102 S N JEE BUILD WELL	RTGSINW- 0012353663	4,800,000.00	28,995,247.62(Cr)
07-03-2017	Chrg: RTGS 23022017	TBMS	57.50	28,995,190.12(Cr)
07-03-2017	Chrg: RTGS 22022017	TBMS	28.75	28,995,161.37(Cr)
08-03-2017	RTGS CNRBR52017030800799501 AAORNE BUILDTECH	RTGSINW- 0012361535	13,500,000.00	42,495,161.37(Cr)
08-03-2017	RTGS-KKBKR52017030800731415- AARONE INFRASTRUC	000052617650	42,000,000.00	495,161.37(Cr)
09-03-2017	RTGS CNRBR52017030900507770 PRERANA INTERNATION	RTGSINW- 0012371869	49,000,000.00	49,495,161.37(Cr)
09-03-2017	RTGS-KKBKR52017030900791242- AARONE INFRASTRUC	000052667980	49,000,000.00	495,161.37(Cr)
09-03-2017	RTGS CNRBR52017030900509605 PRERANA INTERNATION	RTGSINW- 0012374058	13,118,750.00	13,613,911.37(Cr)
09-03-2017	RTGS-KKBKR52017030900816474- AARONE INFRASTRUC	000052692259	1,100,000.00	12,513,911.37(Cr)

That there is *prima facie* suspicion that the company is being used as a conduit to facilitate multiple transactions between entities/individuals including possible accommodation entries resulting in misuse of funds / books of accounts.

- (j) From the bank account statements, it is observed that there are entries of funds transferred by JCWL to the tune of Rs.17.75 crore to Aarone Infrastructure Private Limited (connected entity). It is noted that JCWL has not sold the shares of Aarone Infrastructure Private Limited (connected entity) in the FY 2016-17. Further, from the details of loan and advances for FY 2015-16 and 2016-17, it is noted that there is no balance existing against Aarone Infrastructure Private Limited. Thus, the purpose of these payments of Rs. 17.75 crore is not identifiable. Since these are connected/related party transactions, this is *prima facie* suspicion of misuse of books of accounts/funds.

- (k) It is noted that JCWL has sold shares worth Rs.2,54,45,100/- to Mr. Yog Raj Arora (connected entity) on March 03, 2017. On analysis of bank statement of JCWL (Kotak Mahindra Bank), it is noted that JCWL had received a total amount of Rs. 2,54,45,100/- from Mr. Yog Raj Arora on March 03, 2017, March 04, 2017, March 16, 2017 and March

31, 2017. Further, from the same bank statement of JCWL, it is noted that JCWL has transferred a total amount of Rs. 3,23,97,900/- to Mr. Yog Raj Arora on March 21, 2017, March 23, 2017 and March 31, 2017. The details of flow of funds are as under:

Date	Inflow of Funds (sale proceeds) from Mr. Yog Raj Arora	Out flow Funds (transferred from JCWL) to Mr. Yog Raj Arora
03-03-2017	1,16,65,100	
04-03-2017	1,30,00,000	
16-03-2017	5,00,000	
21-03-2017	-	24,51,000
23-03-2017	-	34,31,400
31-03-2017	2,80,000	2,65,15,500
Total	2,54,45,100	3,23,97,900

It is noted that Mr. Yog Raj Arora is connected/related entity to JCWL. Since, the purpose of transfer of funds by JCWL to Mr. Yog Raj Arora is not identifiable. Therefore, there appears to be *prima facie* suspicion of misuse of books of accounts/funds.

- (1) During the course of hearing, JCWL was advised to furnish the break up of inventories of Rs. 63.26 crore in FY 2016-17 along with full documentation and auditor certificate with basis of valuation. JCWL has submitted the list of inventories, shares certificates and auditor certificate. As per the submissions, JCWL has invested in 15 companies all of which are private limited companies. On a sample check of the shares of Aarone Holding Pvt. Ltd., it is observed that most of these shares are shown to have been purchased between March 29, 2017 to March 31, 2017. It is observed from the sample certificates that the names of other transferees are hand written whereas name of JCWL appears to be pasted onto the certificate. The instance of names of the transferees as appearing in one of these share certificates is provided below:

MEMORANDUM OF TRANSFERS				
No. of Transfer	Date of Recognition	Ledger Folio	Name and Transferee	Signature
T35 T53	14.8.9 09.03.11	47 14	Pacarana International Vog Raj Arora	Minish Minish
T 145	31.03.2017	78	JALAN CEMENT WORKS LIMITED	

Thus, from the above there appears to be prima facie suspicion about the genuineness of these share certificates and its transfers and therefore the reporting of financials which needs to be subject to forensic audit.

20. In view of the above observations, I note that the company's income, investments, inventories, loans and advances are all having significant transactions with connected/related parties for which the company has failed to provide adequate documentary support. Thus, there is *prima facie* suspicion of misuse of funds/ books of accounts of the company as well as of misrepresentation of business/financials. Therefore, it is imperative that in the interest of investors, the financials of the company be independently audited to establish their genuineness of its transactions.

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.*

21. I note that there is *prima facie* suspicion on misuse of funds/ books of accounts and misrepresentation of financials/business. Thus, I find that it would be appropriate that the financials of the company be independently audited to establish their genuineness.

22. However, there is no *prima facie* evidence of the same, I find that it would be appropriate that the restrictions imposed on promoters/directors of the company be removed.
23. The findings in this order have been rendered on the basis of the *prima facie* evidence available at this stage. Detailed examination / forensic audit needs to be undertaken to unearth the entire extent of violations.
24. Further, pending enquiry/ audit, considering the interest of public shareholders involved in JCWL, I find it is appropriate to revert the trading in the securities of JCWL to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
25. In view of the above, I am of the view that following urgent interim actions are required to be taken, pending further enquiry/audit.

INTERIM ORDER

26. 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, subject to para 26(iv) of this order, the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against M/s Jalan Cement Works Limited as under:

- i. The trading in securities of JCWL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
- ii. Exchange shall appoint an independent forensic auditor *inter alia* to further verify:
 - a. Misrepresentation including of financials and/or business of JCWL, if any;
 - b. Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.

- iii. The limitation on the transfer of shares held by the Promoters and Directors of JCWL as mentioned in para 1(b) of SEBI's letter dated August 07, 2017 is removed.
- 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 M/s Jalan Cement Works Limited.

27. Accordingly the representation of M/s Jalan Cement Works Limited is disposed of.

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

29. The prima facie observations contained in this Order are made on the basis of the prima facie material available on record. In this context, M/s Jalan Cement Works Limited 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 in the reply 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, if any. In the event of M/s Jalan Cement Works Limited fails to file reply or request for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and ad-interim directions at para 26 above shall stand confirmed automatically, without any further orders.

30. Copy of this Order shall be forwarded to the recognised stock exchanges & depositories for information and necessary action.

31. 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 13, 2017

PLACE: MUMBAI

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA