

**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 Inter Globe Finance Limited (IGFL) (PAN: AAACI5520N)**

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 Inter Globe Finance Limited (hereinafter referred to as “**IGFL**” / “**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 09, 2017, IGFL made a representation, *inter alia*, submitting as under:
 - (a) That the company is not a shell company as alleged.
 - (b) That the company is a healthy profit making company having an annual turnover of over Rs. 77.50 crores and profit of Rs. 2.5 crores during the Financial Year 2016-17.
 - (c) That the company has 13,900 plus Shareholders and paid Dividends regularly to their shareholders since 2011.
 - (d) That the scrip is actively trading in BSE and the company has complied with all regulations and at no time the authorities had issued any notices to them in this regard.
 - (e) That the company has no investor complaints which are pending and there is no Income tax Department matters which are also pending so, keeping the company under "shell" company is totally unwarranted and uncalled for.
 - (f) That any direction issued by SEBI in terms of the SEBI letter is totally devoid of merit and uncalled for.
 - (g) That the company has never been on any occasion indulged in any kind of malpractices in stock market.

In view of its representation, the company requested to withdraw the directions issued against the Company and place the Company under normal trading.

9. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and BSE, IGFL filed an appeal No. 189 of 2017 before Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). Hon'ble SAT vide order dated August 18, 2017 directed the following:-

“...

3. *In view of the facts set out in the Memorandum of Appeal and other documents tendered at the time of hearing relating to annual turnover of the appellant company for last three years, which even according to SEBI prima facie appear to be correct, we extend the said stay to the case of the appellant company herein and direct the stock exchanges to reverse their decision in respect of the appellant company as expeditiously as possible.*

4. *Appellant company is at liberty to make a representation to SEBI against the impugned communication of SEBI dated 07.08.2017. If representation is made, SEBI shall dispose of the said representation in accordance with law.*

5. *It is made clear that this order shall not come in the way of SEBI as well as the stock exchanges to investigate the case of the appellant company and initiate proceedings if deemed fit.*

6. *Appeal is disposed of in the aforesaid terms with no order as to costs. In view of the disposal of the Appeal, Misc. Application No. 224 of 2017 does not survive and the same is disposed of accordingly.”*

10. The 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.

11. SEBI vide letter dated August 22, 2017 had advised IGFL to provide the following information latest by August 29, 2017:

- a. Summary of any dealings of the Company with or through Mr. Anirban Dutta, either directly or indirectly, and the nature and quantum thereof with supporting documents.

- b. Period of directorship of Mr. Anirban Dutta Explain his role and the portfolio handled by him during his directorship. Also, mention the PAN no. and Address of Mr. Anirban Dutta.
- c. 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. IGFL vide its letter dated August 28, 2017 submitted the information sought by the SEBI's letter dated August 22, 2017, which are *inter alia* as under:

1. *At the outset we state that Anirban Dutta is an Executive Director of the company since 25th June 2011 & was appointed as a CFO on 30' May 2016. Summary of dealings are as under:*
 - a) *Summary of transactions of the company where Anirban Dutta is/ was a director is attached.*
 - b) *The Company had given Salary Advance for Rs. 1,50,000 on 29/04/2010 and the same was recovered over a period of time. Current Outstanding balance is Rs. 30,000.*
 - c) *Year wise remuneration paid are as below:*

<i>Year</i>	<i>Amount in Rs.</i>
<i>2009-10</i>	<i>50,000</i>
<i>2010-11</i>	<i>1,30,680</i>
<i>2011-12</i>	<i>1,78,680</i>
<i>2012-13</i>	<i>1,78,680</i>
<i>2013-14</i>	<i>1,96,440</i>
<i>2014-15</i>	<i>1,96,440</i>
<i>2015-16</i>	<i>1,96,440</i>
<i>2016-17</i>	<i>3,17,060</i>
<i>2017-18 [Till July]</i>	<i>90,960</i>

2. We reiterate that, Anirban Dutta's period of Directorship is since 25' June 2011 till date. His Roles & Responsibilities Include:

- a) Overseeing of Financial Reporting & Accounting
- b) Overseeing of Income Tax Matters
- c) Engagements with shareholders & Registrar
- d) Dealing with auditors
- e) Supervision on all statutory compliances along with Company Secretary.
- f) Anirban Dutta's Pan No. & Address are as below:

Pan No: AEEDPD2296M

Address: 167 A/1 West Kodalia New Barrackpur Kolkata -131

3. Details of current employees on Company Payroll are as below:

Senior Management

- i. Suresh Kumar Jain, Residing at Ec- 256 Sector 1 Salt Lake. Kolkata - 64. His Pan No. is ACVPJ3097R. He is responsible for the overall management of the company. He is B. Com by qualification & has experience of the job for more than 20 yrs. His current remuneration is Rs. 6,00,000 p.m.
- ii. Anirban Dutta, Residing at 167 A/1 West Kodalia New Barrackpur Kolkata -131, His Pan No. is AEEDPD2296M. His responsibilities include Financial Reporting & Accounting, Income Tax Matters, and Engagements with shareholders & Registrar, Dealing with auditors, Supervision on all statutory compliances along with Company Secretary. He is B. Com by qualification & has experience of the job for more than 6 yrs. His current remuneration is Rs. 22,740 p.m.
- iii. Navin Jain, Residing at P-35, CIT Road, Scheme Kol- 54. His Pan No, is ABKPT1935G. His responsibilities include Treasury operations & Loan Disbursements. He is B, Com by qualification & has experience of the job for more than 11 yrs. His current remuneration is Rs. 47,900 p.m.

Middle Management

- iv. Pramod Jain, Residing at Ec- 256 Sector 1 Salt Lake. Kolkata - 64. His Pan No. is ADFPJ9SB6P. His responsibilities include Customer Evaluation, Evaluating & implementation of

new business ideas, Managing Company's investment portfolio. He is CA by qualification has experience of the job for more than 12 yrs. His current remuneration is Rs. 4,25,000 p.m,

v. Rakhi Jain, Residing at Ec- 256 Sector 1 Salt Lake, Kolkata - 64. Her Pan Mo. is AGPPB6357A. Her responsibilities include Administrative jobs. She is MBA by qualification & has experience of the job for more than 10 yrs. Her current remuneration is Rs. 2,50,000 p.m,

vi. Arpita Singh, Residing at 1/3A Rustamji Parsi Road. Cossipore, Kol -2. Her Pan No. is GZOP55954Q, Her responsibilities include All Statutory Compliances including ROC, BSE, RBI. Board & Committee, Minutes Preparation, Handling all legal matters, Shareholders query resolution. She is CS & LLB by qualification & has experience of the job for more than 2 yrs. Her current remuneration is Rs. 15,000 p.m.

Junior Management

vii. Hirak Das, Residing at Village - Santi Nagar. P.O. South Garia. P.S. Baruipur, Dist -24 Pgs (5). His Pan No. is AKZPD4936D, His responsibilities include Voucher preparation, Maintain records & filing. He is BA by qualification & has experience of the job for more than 7 yrs. His current remuneration is Rs. 5,100 p.m.

viii. Partho Banerjee, Residing at Vrlt - Biswanathpur, P.O. Ramnathpur, Dist-24Pgs (N). His Pan No, is BJZPB2562B. His responsibilities include Clerical Duties, Tally updation. He is BA by qualification & has experience of the job for more than 10 yrs. His current remuneration is R\$. 10,365 p.m.

Blue Collar

ix. Uttam Bhattarcharya, Residing at 3/167 Seth Bagan Road {lowland} near Sisbu Tirtha Park, Dum Dum. Kol-30. His Responsibilities include office cleaning & Maintenance. His current remuneration is Rs. 5,500 p.m.

4. The Provident Fund Act does not apply to the company & hence the PF contribution is Nil.

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

"Company has submitted the auditor certificate from M/s. Manish Mahavir & co., Chartered Accountants. As per the Auditor Certificate, company has filed income tax returns for all the last 3 years and has complied

with companies act requirements up to March 31, 2016. Further, the Auditor has confirmed that company is going concern and there are no default in any loans with any bank / financial institutions.

The company is not in compliance with certain key clauses of SEBI (LODR) Regulations, 2015 during the last 3 years since quarter ended September 2014 as given below.

<i>Particulars</i>	<i>Quarter ended</i>	<i>Compliance status</i>
<i>Corporate Governance</i>	<i>Dec-14</i>	<i>Not Complied</i>

Exchange vide its letter dated August 21, 2017, inter alia, advised company to submit additional information w.r.t. no. of employees and provident filings and if company wishes to have personal representation. The company vide letter dated August 28, 2017 submitted the information sought for and requested for personal representation, if required. Based on the above, prima facie, the submission made by the company appears to be in order."

Hearing and Reply:

14. 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, an opportunity of personal hearing was granted to IGFL on September 13, 2017 when its authorized representative Advocate Prakash Shah appeared and made submissions. IGFL was asked to provide the information / response on the following points (supported by documentary evidence) as early as possible and latest by September 20, 2017:

(1) As per the company, it is an NBFC company, however majority of its income as appearing in the Revenue from Operations (As per annual report for year 2015-16), is from investment activity (Sale of Shares) of Rs. 85 crore approx. A separate permission is required for this activity from RBI. Provide the supporting document in this regard.

(2) Affidavits from the below mentioned entities:

- i. From Mr. Anirban Dutta addressing what he has said/submitted in his interactions with Income Tax Authorities regarding arranging/facilitating directly or indirectly bogus share capital for various companies or accommodation entries of any nature.
 - ii. From Manju Jain, Pramod Kumar Jain, Suresh Kumar Jain and Seema Gupta individually (all are promoters of the company), addressing whether they were aware at any point of time that Mr. Anirban Dutta was questioned by Income Tax Authorities; and if they were aware then what did they do to satisfy themselves regarding continuation of Mr. Anirban Dutta as an officer or Director of the Company.
- (3) As per website of the company, it is also into the business of Advisory Services. Provide the nature of this business. Also, furnish SEBI registration for Investment Advisory.
- (4) Full details, break-up with all the supporting documents to be provided for the below mentioned items appearing in the Annual Report for the year 2015-16:
- i. Sale of Shares (Under Revenue from Operations) amounting to Rs. 85 crore approx:
 - a. If sale was done on Exchange Platform, provide Security-wise Transaction Date, Amount, Volume sold and Time.
 - b. If sale was not done on Exchange Platform, provide Security-wise Transaction Date, Amount, Volume sold, Time and the Details of counterparty
 - ii. Inventory of the Company is amounting to Rs. 22 crore approx (Appearing in Balance Sheet). Provide Security-wise Transaction Date, Amount, Volume, Time and the details of counterparty (if not purchased on Exchange platform). Also mention for each security whether bought on Exchange platform or not.
 - iii. Loans & Advances (unsecured) as appearing under Short Term Loans & Advances in Balance Sheet are amounting to Rs. 63 crore approx, Provide the following information with necessary supporting documents (including loan agreements) for the Loan value-wise top 10 Borrowers:
 - *To whom it was given*
 - *How much given*

- *Since when it has been given*
- *Rate of Interest*
- *Current status of payment of interest and principal vis-à-vis schedule of payment.*

- iv. Sundry Creditors for Shares are of Rs. 79 lakh approx. Provide full break-up with backup documents of Top 10 Creditors Value wise.
- v. In terms of business model, since the number of employees is 8 in 2016-17 & 9 in 2015-16 and as stated by AR in hearing that the company is operating in 13 States, explain how the company is managing the operations with these no. of employees with respect to their lending activity and also with regards to recovering the loans given.
- vi. Capital work in Progress is amounting to Rs. 33.86 lakhs as per the Fixed Asset schedule of the company for the year 2015-16. Provide full details & break up and the nature of the capital work-in progress.

(5) Explanation as to whether the company is lending money against securities/shares and whether pledge has been created. If any, whether it is as per the guidelines of securities law. Kindly provide the details (Name and PAN) of top 5 borrowers where the company has lent amount against securities/shares and also mention if pledge was created for the shares or the shares were transferred in the company's account with respect to these borrowings.

15. SEBI vide email dated September 15, 2017 has also advised IGFL to furnish the aforesaid information by September 20, 2017.

16. IGFL, vide its letter dated September 20, 2017, filed its response to the queries / information sought from it on September 20, 2017. The query-wise response of IGFL is *inter-alia* as under:

- a) **Reply to Query 1-** *Inter Globe Finance Limited (Company) is a registered NBFC with the Reserve Bank of India and as per section 45LA of the Reserve Bank Act, 1934 is a Loan Company. The company derives more than 50 % of its revenue from loans as well as more than 50 % of the total assets of the company consists of loan assets.*

At the time of hearing SEBI has considered the Revenue from Operation based on the Annual Report for the year 2015-16 and noted the Sale of Shares of Rs. 85 Cr approx. and wanted a clarification about why not the Investment activities of the company can be classified as the main object and whether the respective statutory permission is in place or not The company submits that even for the period ended 31st March 2016 the main revenue is from the Loan activity. The company invested a part of its surplus fund in Trading activities.

SI. No.	Particulars	Amount (Rs.)
1	Sales (Note 19 of the annual report)	85,17,42,369/-
2	Purchase of stock-in-trade (as per statement of profit and loss in the annual report)	95,82,63,088/-
3	Changes in inventories of stock-in-trade (as per statement of profit & loss in the annual report)	6,88,28,656/-

From the above it is evident that the amount of Rs. 85 crores cannot be considered in isolation. It has to be compared with the changes in inventories and purchase of shares during the year under consideration. Further we submit that the trading activities by value or by revenue of the company are not more than 50% or more than that of the total assets/revenue. The sale of shares indicated in your mail pertains to shares held by the Company as "stock in trade". Hence no separate or other permission is required from the Reserve Bank of India for sale of such shares as per the Reserve Bank of India Act, 1934.

b) Reply to Query 2:

a. Mr. Anirban Dutta in and around November 2015 had been called by the Income Tax Investigation Wing at Kolkata and asked by way of cross examination about facilitating bogus share capital up of certain companies. According to him, he had been pressurized by the Income Tax Authorities at their office to submit a written statement. Under pressure/ duress his statement was recorded by the Income Tax Authorities. Presently he is not in a position to recall/ re-produce anything in this matter.

In this regard a copy of affidavit of Mr. Anirban Dutta in this regard was submitted.

b. Mr. Anirban Dutta, is a director of the Company responsible for overseeing of financial reporting and accounting, overseeing of income tax matters, engagement with shareholders and Registrar, dealing with auditors, supervision of all statutory compliances along with company secretary. Although the matter

was not related to the company still be informed the above facts to the Board members and the Board at their meeting held on 26th November, 2015 recorded the said facts. Considering his track record in the company and also the Income tax submission of statement during investigation, the company cautioned him to be more vigilant and careful while dealing with any transactions and financial activities whether that belong to the company or not.

- c. The Board further noted that Mr. Anirban Dutta's conduct and explanation were deemed reasonable and did not seem to be prejudicial or detrimental to the Interest of the Company. And furthermore, the Company has never suffered any loss, prejudice, detriment by reason of any activity of Mr. Dutta as a director nor have we received any complaints against him,*
- d. Mrs. Manju Jain, Mr. Pramod Kumar Jain, Mr. Suresh Kumar Jain and Ms. Seema Gupta collectively are promoters of the company.*
- e. Mrs. Manju Jain is only a promoter shareholder of the company and is not involved in day-to-day activities of the company. She is not aware of any statement given by Mr. Anirban Dutta to the Income Tax Authority or any other Authorities.*
- f. Mr. Pramod Kumar Jain is a professional and mainly involved into the following activities.*
 - i. Customer evaluation*
 - ii. Evaluating and implementation of new business ideas*
 - iii. Managing company's investment portfolio*
 - iv. He was also not aware of any statement given by Mr. Anirban Dutta to the Income Tax Authority or any other Authorities-*
- g. Mr. Suresh Kumar Jain is the Managing Director of the Company and is a Board member. He was made aware of the above matter during the board meeting held on 26th November, 2015 as mentioned above.*
- h. Ms. Seema Gupta is the Woman Director of the Company and is a Board member. She was also made aware of the above matter during the board meeting held on 26 November, 2015 as mentioned above...*

In this regard the company submitted affidavit from Mrs. Manju Jain, Mr. Pramod Kumar Jain, Mr. Suresh Kumar Jain and Ms. Seema Gupta.

c) **Reply to Query 3:** *Your good office has noted that as per website of the company, it is mentioned that the company is into the business of Advisory Services. We hereby submit that on the Website of the company it is mentioned that the company is engaged Into "Financial Management and Advisory Services". We hereby submit that the company is not providing any investment Advisory activities as mentioned in your letter and the same is also not mentioned on the website of the company. Please note that the Company is engaged in providing financial advisory services like advice on loans syndication, loan documentation and alike services. The Company also invests its surplus funds in fixed deposits, mutual funds, etc. The Company does not carry on business of investment advisory activities and no SEBI registration is therefore required to be obtained.*

d) **Reply to Query 4-**

- a. *Enclosed herewith marked as "Annexure-6", Details of sale of Shares (Under Revenue from Operations} amounting to Rs, 85 crores approx. including:*
 - *Details of sale done on Exchange Platform, Security-wise, Transaction Date, Amount, Volume sold were enclosed by IGFL.*
 - *There were no sales effected other than that on the Exchange Platform. Hence the question of providing details for such transaction does not arise.*
- b. *Enclosed herewith marked as "Annexure-7", details of the Inventory of the Company amounting to Rs. 22 crores approx (as appearing in Balance Sheet) with details like Security-wise, Transaction Date, Amount, Volume and the details of counterparty when not purchased on Exchange platform,*
- c. *Enclosed herewith marked as "Annexure-5", details of Loans & Advances (unsecured) as appearing under Short Term Loans & Advances in Balance Sheet amounting to Rs. 63 crores approx along with documents for top 10 Borrowers value-wise in the required format.*
- d. *Enclosed herewith marked as "Annexure-9", details of sundry Creditors for Shares of Rs, 79 lakh approx. with full break-up and backup documents.*
- e. *We hereby submit that almost 60% of the number of parties during financial year 2015-16 was concentrated locally in the state of West Bengal. As mentioned in our meeting with WTM, the customer base of the company has been widened and is now spread over 10-13 states in the financial year 2016-17, The company currently has 9 employees and is able to lend to customers spread across 13 states. Currently the company primarily advances loan to:*

- *SMEs/Corporate clients*
- *Micro Finance Customers*
- *Two-Wheeler Loans*

The SME / Corporate loans are primarily bulk lending where small & experienced team is required whereas Micro Finance & Two-Wheeler loans are retail lending where huge team is required for Customer identification, Customer Verification, Document Collection, Loan Disbursement, Collection & follow up with defaulters.

The company's internal team handles the bulk lending whereas the retail lending book of Micro Finance, Two-Wheelers are handled by Business Associates, The SME / corporate loans are generated through the affiliated brokers or existing clients only. The customer assessment, Documentation & Disbursement is a critical step which is handled by internal team.

f. Enclosed herewith marked as "Annexure-10", details of Capital work-in-progress amounting to Rs. 33.86 lakhs.

e) **Reply to Query 5-** *The Company does not lend money against securities/shares and consequently there is no question of any pledge being created for the same*

17. SEBI vide email dated November 07, 2017 also sought following further additional information from IGFL to be submitted by it latest by November 10, 2017-

- With respect to the parties to whom ICD is given, the first agreement and all subsequent renewal agreements of 3 companies namely (i) Irabati Distributors (p) Ltd. (ii) Global Associates (iii) Trikundi Realcom LLP.
- With respect to Capital work-in progress, kindly explain the nature of Capital Work-in progress, the asset which is being developed by the company.
- With respect to the investment in 6 subsidiaries (in the year 2015-16), kindly explain: (a) Business of Subsidiary; (b) Address of the subsidiaries; (c) Income of the subsidiary for the year 2015-16 and 2016-17; (d) Date of Investment and Proof of payment (eg. bank statement highlighting the same, share certificate, etc.); (e) Reason/purpose of investment in these companies; (f) Corporate announcement made with respect to the same, if any.

- d) With respect to the inventories, Rs. 9.46 crore is invested in shares of Inter Globe Overseas Limited and Rs. 1.23 crore in Inter Globe Realty Limited, kindly explain the nature of investment (business of company, etc.) and provide Proof of payment with bank statement highlighting these payments.
- e) The address of the related companies (including the subsidiaries) as mentioned in the annual report 2016-17 and Inter Globe Finance Limited is same as per the MCA records, kindly explain how the business of all the companies is conducted from one address considering the different natures of business.
- f) Further also explain that if the office premises/resources are shared by all these companies and if yes, agreement or all the supporting documentary evidence for the same.
- g) In the bank statement submitted by the company to BSE for the period Aug 2016 to Aug 2017, there are multiple transactions with Suresh Kumar Pramod Kumar HUF, kindly explain the nature of transaction with sufficient documentary evidence (eg. agreements with the party).
- h) Further, also there are multiple bank entries where the fund is transferred to/ from "Inter Globe Finance" (specimen mentioned below), explain the nature of transfer and also the account to which the funds transferred.

19/08/2017	RTGS- TATACAPITALFINANCIALSERV IC/HDFCH17170153714		30,00,000.00	30,64,016.61
16/06/2017	INTER GLOBE FIANCE LTD	267566	7,00,000.00	64,016.61
16/06/2017	RTGS- MASTERCAPITALSERVICESLT D/HDFCH17167025738		6,38,000.00	7,64,016.61
16/06/2017	NEFT-SBI DIVIDEND PAYMENT ELECT/SBIN917167941554		265.20	1,26,016.61
16/06/2017	NEFT-SBI DIVIDEND PAYMENT ELECT/SBIN917167285928		13,000.00	1,25,751.41
15/06/2017	PRAMOD KUMAR JAIN HUF	267565	24,00,000.00	1,12,751.41
15/06/2017	INTER GLOBE FINANCE LTD	267564	6,00,000.00	25,12,751.41

20/06/2017	INTER GLOBE FINANCE LTD	267568	3,00,000.00	72,016.61
20/06/2017	RTGS- MASTERCAPITALSERVICESLT D/HDFCH17171246475		3,08,000.00	3,72,016.61
19/06/2017	INTERGLOBE FINANCE LTD	267567	30,00,000.00	64,016.61
19/06/2017	RTGS- TATACAPITALFINANCIALSERV IC/HDFCH17170153714		30,00,000.00	30,64,016.61

Kindly note wherever the company has to provide bank statement, you are requested to highlight the transaction with respect to which it is *provided*.

18. IGFL vide its letter dated November 10, 2017 submitted its reply to SEBI's email dated November 07, 2017, which is *interalia* as under:

- (a) Please find enclosed herewith copy of relevant agreements with above 3 parties for your kind preview and records. Marked as "Annexure 1"
- (b) Please note that CWIP reflected in F.Y 2015-16 comprises of furniture & fixtures for ongoing Interior work at Company's new corporate office situated at 4th floor of 85, Bentinck Street, Kolkata-700001.
- (c) With objective of growth in the value of all stakeholders of the company, the company had invested Rs.34.64 Lakhs only in the acquisition of shareholdings of the following 6 companies.

Sl NO	Name of Company	% Share Holding acquired BY IGFL(Our company)
1	INTER GLOBE ENGITECH INDIA LIMITED	98.8%
2	INTER GLOBE MEDICAL COLLEGE & HOSPITAL LTD	98.8%
3	INTER GLOBE PROJECTS LTD	98.8%
4	INTER GLOBE REALATORS PROJECT INDIA LTD	98.8%
5	INTER GLOBE REALTY VENTURES LTD	98.8%
6	INTER GLOBE TRADEX & SERVICES LTD	98.8%

By virtue of acquisitions of almost 100% shareholdings in the above mentioned six companies, these companies had become subsidiaries of the company.

The company had made corporate announcement of the same on 1st September 2016. A copy of announcement which was forwarded earlier to the BSE is enclosed for your kind preview and records.

Due to uncertain business environment, these companies could not attain their main objective and accordingly these companies had applied for striking off of their name with Registrar of Companies, West Bengal vide challans dated 12.09.2017

As a matter of prudence the same had been duly intimated to the BSE on 29/08/2017.

- i. **Business of Subsidiary:** No subsidiary could attain their main object and hence had applied for striking off of their name with ROC Kolkata. Details are as per **Marked as "Annexure 2"***
 - ii. **Address of the Subsidiaries:** Address of all the 6 subsidiaries was at 6B, Bentinck Street, Aloka House 1st Floor, Kolkata - 700001. Details are as per Marked as "Annexure 2"*
 - iii. **Income of the subsidiary for the year 2015-16 and 2016-17:** Details are as per Marked as "Annexure 2"*
 - iv. **Date of investment and Proof of payment (share certificate):** Details are as per Marked as "Annexure 2"*
 - v. **Reason/purpose of investment in these companies:** With objective of growth in the value of all stakeholders of the company, the company has invested Rs.34.64 Lakhs only in the acquisition of shareholdings of above companies, of corporate announcement made with respect to the same, if any: As stated above, we reiterate that the company had made corporate announcement of the acquisition of the Subsidiary Companies on 1st September 2016 and discontinuing these Companies as Subsidiaries on August 29, 2017. A copy of announcement BSE is enclosed for your kind preview and records Marked as "Annexure 2"*
- (d) The Company had invested in shares of Inter Globe Overseas Limited & Inter Globe Realty Limited for Rs. 9.46 Cr & Rs. 1.23 Cr respectively. Inter Globe Overseas Limited is a company primarily engaged in providing warehousing & storage services. The Company owns warehouses at Raniganj, NH-2 & leases it to its various Corporate Clients which includes Adani Wilmar, Sunrise Masala, LG*

Electronics, Emami Agro etc. Inter Globe Realty Limited is a company primarily engaged in Real Estate investment & Renting services, The Company owns Real estate investments at Ranchi. Enclosed herewith please find details required in this regard and marked as "Annexure-3"

- (e) The related parties of the company manages their operations from their respective different offices which are fortunately situated on the same floor (1st floor) and same building (6B, Bentinck Street, Kolkata - 700001). However subsidiaries were running the business from the same office of our company as subsidiaries could not establish their business ahead and to save money on the overhead to be incurred by those subsidiaries companies. Inter Globe Finance Limited (IGFL) had also opened a new corporate office at 85, Bentinck Street 4th Floor for smooth operation of its business and the same has been intimated to BSE and ROC.*
- (f) We undertake that there was no sharing of resources with related parties. However subsidiaries companies were enjoying amenities of office premises of their holding company IGFL.*
- (g) With reference to bank statements submitted to BSE for the period August 2016 to August 2017, we would like to clarify that the various transactions of the company with Suresh Kumar Pramod Kumar (HUF) represents disbursements made towards the loan sanctioned during FY 2016-17. Enclosed herewith please find a copy of loan agreement in this regard and marked as "Annexure4"*
- (h) The various transactions of the Company within its own account represent transfers between its Current account (Karnataka Bank Account No. 4342000100074701) & overdraft Account (Karnataka Bank Account No. 4347000300080501 & Karnataka Bank Account No.4347000300086901). Such transactions take place for temporary fund requirements from overdraft account or to minimize the interest charged on Overdraft account whenever the balance is lying in current account.*

19. Further, SEBI vide mail dated November 24, 2017 sought following additional information from IGFL to be submitted by it latest by November 27, 2017 -

- a) In reference to Annual Report of the company for the year 2016-17, under the disclosure of transaction with related party- With respect to transaction with "Inter Globe Tradex & Services Ltd." the amount of "Sale" is Rs. 10.28 crore in the year 2016-17. Kindly explain the following:
 - i. The nature of transaction (what does "Sale" indicate)

- ii. Supporting Invoices and bank statement highlighting the sale transaction
 - iii. As per the reply of company to SEBI mail dated Nov 07, 2017, IGFL has indicated that Inter Globe Tradex & Services Ltd. has applied for strike off. Kindly explain regarding the recoverability of the said amount.
 - iv. How is the amount reflected in the Financial Statements (eg: Revenue etc.) and under which sub-head is it included.
- b) With respect to transaction with " INTER GLOBE ENGITECH INDIA LIMITED", "INTER GLOBE PROJECTS LTD" ,"INTER GLOBE REALTORS PROJECT INDIA LTD" , "INTER GLOBE REALTY VENTURES LTD", kindly explain the following:
- i. The nature of transaction (what does "Sale" indicate)
 - ii. Supporting Invoices/back-up documents and bank statement highlighting the sale transaction
 - iii. As per the reply of company to SEBI mail dated Nov 07, 2017, these companies have applied for strike off. Kindly explain regarding the recoverability of the said amount.
 - iv. How is the amount reflected in the Financial Statements (eg: Revenue etc.) and under which sub-head is it included
20. IGFL vide its letter dated November 25, 2017 submitted its reply to SEBI's email dated November 24, 2017, which is *interalia* as under:
- (a) *The transaction of Rs. 10.28 crore between Inter Globe Finance Limited & its subsidiary Inter Globe Tradex & services Ltd. is of sale of investments.*
 - (b) *Copy of Invoices & bank statement attached. (Refer Annexure - 1}. The company has received Rs.3.12 lakhs dated 23.06.16 which is reflected in the Bank statement of the company and balance amount were recovered through buyback of those investments during the current financial year.*
 - (c) *The company had received back the shares sold to recover the amount in full. There is no outstanding pertaining to Inter Globe Tradex & Services Ltd. lying as on date.*
 - (d) *Please note that accounting entry of sale of investments are not passing through sales account of the company so that same were not reflected in revenue of the company.*

Since investments were sold at Cost and neither there was gain nor loss so that revenue impact on sale transactions was NIL.

- (e) The transactions between Inter Globe Finance Limited & Its subsidiary "INTER GLOBE ENGITECH INDIA LIMITED", "INTER GLOBE PROJECTS LTD", "INTER GLOBE REALTORS PROJECT INDIA LTD", "INTER GLOBE .REALTY VENTURES LTD", was of sale of investments*
- (f) Copy of Invoices & bank statement attached. (Refer Annexure -1).*
- (g) The above sale proceeds were received from the subsidiaries as reflected in the bank statement above. Hence there is no amount due to be recovered.*
- (h) Please note that accounting entry of sale of investments are not passing through sales account of the company so that same were not reflected in revenue of the company. Since investments were sold at Cost and there was neither gain nor loss so that revenue impact on sale transactions was NIL.*

21. Subsequently, SEBI vide email dated January 10, 2018 sought further additional information from the company to be submitted by it latest by January 12, 2018. IGFL vide its letter dated January 12, 2018 submitted information sought to SEBI's email dated January 10, 2018. The query wise information sought by SEBI and the information provided by IGFL is interalia as under-

- a) With respect to the details of Inventory, kindly provide the following:
 - i. Share Certificate for the Unlisted shares with settlement type – "OFF MARKET" (Inter Globe Overseas Ltd & Inter Globe Realty Limited)
 - ii. Bank Statement highlighting the payment transaction with respect to Settlement type – "OFF MARKET" (Kailash Auto Finance & Risa International)
 - iii. With respect to "Silver". Provide Bank Statement highlighting the payment transaction with respect to Bill dated 15/03/2016 (Qty 27), 21/03/2016 (Qty 39), 29/02/2016 (Qty 27) and 01/03/2016 (Qty 27).

Reply of Company

- (a) Please find enclosed herewith copy of relevant Share certificates of Inter Globe Overseas limited & Inter Globe- Realty ltd. for your kind preview and records. Marked as "Annexure 1" (*

- (b) Please find enclosed herewith copy of relevant bank statements highlighting payment transactions for Kailash Auto Finance & Risa International for your kind preview and records. Marked as "Annexure 1" (Page No.1/47 to Page no.1/65)
- (c) Please find enclosed herewith copy of relevant bank statements highlighting payment details for Silver for your kind preview and records. Marked as "Annexure 1"
- b) With respect to Short Term Loans and advances, kindly provide the bank statement highlighting the Receipts and Payments for the period April 01, 2015 to March 31, 2017 with respect to the below mentioned 4 Borrowers:
- i. Global Associates
 - ii. Trikundi Realcom LLP
 - iii. Irabati Distributors Pvt. Ltd.
 - iv. Suresh Kumar Pramod Kumar HUF

Reply of Company:

- (a) Please find enclosed herewith copy of relevant bank statements for your kind preview and records. Marked as "Annexure 2" (Page No. 2/1 to Page no. 2/81).
- (b) Please note that Suresh Kumar Pramod Kumar HUF was sanctioned loan from December 2016.

Consideration of issues:

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

- (a) Whether there is *prima facie* evidence of misrepresentation by IGFL 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.

23. 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 IGFL 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.*

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

- a) IGFL in its annual report for FY 2015-16 has disclosed its investment in 6 subsidiary companies namely Inter Globe Projects Ltd. (erstwhile Agon Projects Ltd.), Inter Globe Realty Ventures Ltd. (erstwhile known as Jeevan Rekha Agro Ltd.), Inter Globe Tradex and Services Ltd. (erstwhile known as Jiban Jyoti Multitrade & Services Ltd.) Inter Globe Medical College & Hospital Ltd. (erstwhile known as Sebika Medical College & Hospital International Ltd.), Inter Globe Engitech India Ltd. (erstwhile known as SPD Projects Ltd.) and Inter Globe Realtors Projects India Ltd. (erstwhile known as Subhakamona Realty Project India Ltd.) for Rs. 34.64 lakhs as a non-current investment. However, as per the Share Certificate submitted by IGFL and the shareholding pattern of the 6 subsidiary companies filed with MCA, it is observed that IGFL was not the shareholder in these companies as on March 31, 2016 and the transfer of the shares was registered only on September 01, 2016. The corporate announcement with respect to above investment was also made by IGFL only on September 01, 2016 on Exchange website. In this regard I further note that the company has even failed to submit proof of payment with respect to the aforesaid acquisition of shares when sought for verification.

In view of the same, it appears that there is a contradiction in the reporting by the company in the financial statement for the year 2015-16 and the corporate announcement made by company with respect to investment in subsidiaries which raises *prima facie* suspicion of misrepresentation of financial statement.

- b) It is noted from the reply of IGFL dated November 10, 2017 that IGFL has made investment in the aforesaid 6 subsidiaries with the “*objective of growth in the value of all stakeholders*”. However, on perusal of the resolution passed by Board of Directors of these 6 subsidiaries in August 2017, it is observed that the said resolution states that these subsidiaries are being struck off due to “*non-operation of the business from 01.04.2016 as well as not intending to do any business or commercial activity*”. In view of the same, it is apparent that these subsidiary companies had not carried out any business activity prior to the date of investment by IGFL on September 01, 2016 and raises serious doubt on IGFL’s stated purposes of the said investment i.e. growth in the value of all stakeholders. In view of the above observations, the investment in aforesaid subsidiaries by IGFL *prima facie* appears not to be in the interest of the shareholders.
- c) I note that the aforesaid subsidiary companies applied for strike off of their name with Registrar of Companies, West Bengal on September 12, 2017 and in this regard the resolution was passed by the board of directors of subsidiaries on August 07, 2017, August 08, 2017 and August 09, 2017. However IGFL made corporate announcement to discontinue these companies as subsidiaries on August 29, 2017. This appears to be probable delay in disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.
- d) It is observed that IGFL had purchased shares of Inter Globe Overseas Ltd. and Inter Globe Realty Ltd. from three group companies namely Inter Globe Capital Market Ltd., Inter Globe Cart Air Ltd and Inter Globe Infralog ltd. in the F.Y. 2015-16 through off-market transaction amounting to Rs. 10.69 crore. In this regard IGFL has submitted bank statement highlighting the payment of these amounts. The details of the purchase transaction is as mentioned below:

Table 1-

Name of Scrip	Year of Purchase	Seller Name	No. of Shares	Buy Value (Rs.)
Inter Globe Overseas Limited	2015-16	Inter Globe Capital Market Ltd	16000	31,52,000
		Inter Globe Cart Air Ltd	262000	5,16,14,000
		Inter Globe Infralog Ltd	202600	3,99,12,200
		Total	480600	9,46,78,200
Inter Globe Realty Ltd.	2015-16	Inter Globe Cart Air Ltd	92000	1,15,00,000
		Inter Globe Infralog Ltd	6800	8,50,000
		Total	98800	1,23,50,000

It is observed that Inter Globe Capital Market Ltd, Inter Globe Cart Air Ltd., Inter Globe Infralog Ltd. and IGFL have common directors during the year 2015-16 and are reflected as related parties and 'Companies under same management' as per the annual report of IGFL for the year 2015-16. However, the transaction with these related entities as mentioned in the table above are not disclosed in transaction with related parties in Annual Report for the year 2015-16. In view of the above, there is *prima facie* suspicion of misrepresentation of financial statement.

- e) It is observed from the reply of IGFL dated November 25, 2017 that IGFL has sold all shares of Inter Globe Overseas Ltd and certain no. of shares of Inter Globe Realty Ltd to its Subsidiaries at cost price during the financial year 2016-17. The aforesaid shares were purchased in FY 2015-16. The details of transactions disclosed as related party transactions with the Subsidiaries as per Annual Report for the year 2016-17 vis-a-viz the invoices of sale of shares submitted by company is as under:

Table 2-

Name	Relationship	Transaction type	Amount as per Annual Report 2016-17 (Rs.)	Amount as per supporting documents submitted by IGFL (Rs.)
Inter Globe Tradex & Services Ltd.	Subsidiary	Sale	10,28,21,950	10,28,21,950
Inter Globe Realtors Project India Ltd.	Subsidiary	Sale	2,93,750	2,93,750
Inter Globe Realty Ventures Ltd	Subsidiary	Sale	7,87,500	7,87,500
Inter Globe Projects Ltd.	Subsidiary	Sale	2,93,750	2,93,750
Inter Globe Engitech Ltd.	Subsidiary	Sale	3,43,750	-
Inter Globe Medical College & Hospital Ltd	Subsidiary	Sale		2,87,500
		Total	10,45,40,700	10,44,84,450

The above table shows that IGFL has reflected Sale of shares to Inter Globe Engitech Ltd. worth Rs. 3.43 lakhs in Annual Report 2016-17 however, the documentary evidence (invoice of sale) submitted by IGFL shows that there is no sale of shares to Inter Globe Engitech Ltd. and instead shares worth Rs. 2.87 lakhs are sold to Inter Globe Medical College & Hospital Ltd. Hence there is contradiction in the reporting by the company pertaining to related party transactions in Annual report FY 2016-17 and the details of Sale transaction submitted by IGFL. Further, it is noted that IGFL has not submitted sufficient

documentary evidence pertaining to sale of shares (including the copy of share certificate) which raises a doubt as to the genuineness of the supporting documents provided by the company. In view of the contradiction in the reporting by the company pertaining to related party transactions in Annual report FY 2016-17 and the details of Sale transaction submitted by IGFL, there appears *prima facie* suspicion of mis-representation of financials by the company.

- f) It is noted that as per Annual Report FY 2015-16, the subsidiary of IGFL, Inter Globe Tradex & Services Ltd. (IGTSL) has a networth of Rs. 4 lakhs approx. as on March 31, 2016 and Income of Rs. 39,250 and Rs. 31,690 for F.Y. 2015-16 and F.Y. 2016-17 respectively as stated by company in its reply dated November 25, 2017. Further, as per the Board Resolution of IGTSL dated August 08, 2017, IGTSL had non-operation of the business from 01.04.2016. However despite IGTSL being nonoperational from April 01, 2016 and with a net worth of only Rs. 4 lakhs approx, IGFL has shown sale of shares worth Rs. 10.28 crore to IGTSL. IGFL has also mentioned that post March 31, 2017, *“The Company has received back the shares sold to recover the amount in full. There is no outstanding pertaining to Inter Globe Tradex & Services Ltd. lying as on date”*. This raises a serious doubt on the genuineness of the sale of shares and it appears to be a mere book entry. Further, notwithstanding the fact that IGFL claimed to have received back the shares, selling shares worth Rs. 10.28 crore to an entity from whom the recoverability of the amount is ab initio questionable, raises a serious doubt on the genuineness of the said sale transaction.

Further it is observed that IGFL in its reply dated November 25, 2017 has mentioned that *“the accounting entry of sale of investments are not passing through sales account of the company so that same were not reflected in revenue of the company Since investments were sold at cost and neither there was gain nor loss so that revenue impact on sale transactions was NIL”*. As the unquoted shares sold was forming part of Inventories in the year 2015-16 and hence, should have been shown as “Sale of Shares” forming part of Revenue from Operations. This *prima facie* leads to a suspicion of misrepresentation of financial statement and raises a doubt on genuineness of the transaction.

g) I note that Suresh Kumar Jain was the Managing Director of the Company for the FY 2015-2016 and 2016-17. IGFL vide letter dated November 10, 2017 and January 12, 2018 submitted the documents with respect details of banking transactions with Suresh Kumar Pramod Kumar (HUF) (related party) along with supporting loan agreement, bank statement highlighting the payments and receipts for the same. From the preliminary analysis of the loan agreement, it is observed that IGFL has entered into agreement on December 01, 2016 with Suresh Kumar Pramod Kumar (HUF) to provide loan upto Rs. 15 crore. As per SEBI (LODR) Regulations 2015, Regulation 23(1) a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the Annual Consolidated Turnover of the listed entity as per the last audited financial statements of the listed entity. I note from the audited financial statement for the year 2015-16 that the total Annual Consolidated turnover of the company was Rs. 91,95,44,747/- The loan agreement amount of Rs. 15 crore to Suresh Kumar Pramod Kumar (HUF) exceeds 10% of the Annual Consolidated Turnover of IGFL and is thus material transaction in terms of Regulation 23(1) SEBI (LODR) Regulations 2015.

As per Regulation 23 (4) SEBI (LODR) Regulations 2015 “*All material related party transactions shall require approval of the shareholders through resolution..*”. However, it is observed that IGFL has not taken any approval of shareholder for the above related party transaction in violation of the said provisions of SEBI (LODR), 2015 and has not made any announcement related to this transaction on the Exchange website. The same is also confirmed by BSE vide mail dated February 02, 2018. The failure to take any approval of shareholder for the above material related party transaction *prima facie* leads to evidence of misuse of funds by IGSL. Further, BSE has also observed that while the notice of 24th AGM of IGFL to be held on September 26, 2017 provided for the consent/approval of members in relation to the related party transaction relating to financial year ending March 31, 2017 i.e. during the period between April 01, 2016 to March 31, 2017, the outcome of the AGM held on September 26, 2017 mentions that the authorization of related party transactions is for transactions entered

after April 01, 2017. From the above, it is evident that the shareholders did not approve the loan agreement of IGFL with Suresh Kumar Pramod Kumar (HUF) dated December 01, 2016 to provide loan upto Rs. 15 crore. The fact that IGFL entered into material related party transaction without any approval of shareholders *prima facie* leads to evidence of misuse of funds by IGSL.

25. From the above I note the followings:

- (a) It is noted that IGFL in its annual report for FY 2015-16 has disclosed its investment in 6 subsidiary companies for Rs. 34.64 lakhs as a non-current investment, however, as per the Share Certificate submitted by IGFL and the shareholding pattern of the 6 subsidiary companies filed with MCA it is observed that, IGFL was not the shareholder of in these companies as on March 31, 2016 and the transfer of the shares was registered only on September 01, 2016. Thus there appears *prima facie* suspicion of mis-representation of financials of IGFL. Further, it is apparent from the resolution passed by Board of directors of these 6 subsidiaries that these subsidiary companies had not carried out any business activity prior to the date of investment by IGFL on September 01, 2016 which raises serious doubt on IGFL's stated purposes of the said investment i.e. growth in the value of all stakeholders. Thus, the investment in aforesaid subsidiaries by IGFL *prima facie* appears not to be in the interest of the shareholders.
- (b) It is observed that IGFL and Inter Globe Capital Market Ltd, Inter Globe Cart Air Ltd., Inter Globe Infralog Ltd. have common directors during the year 2015-16 and are reflected as related parties and 'Companies under same management' as per the annual report of IGFL for the year 2015-16. However, the transaction with these related entities are not disclosed in transaction with related parties in Annual Report for the year 2015-16. In view of the above, there is *prima facie* suspicion of mis-representation of financial statement.

(c) It is observed that as per the Board Resolution of IGTSL (a subsidiary of IGFL) that, IGTSL had no operation of the business from 01.04.2016. However despite of IGTSL being nonoperational from April 01, 2016, IGFL has shown sale of shares worth Rs. 10.28 crore to IGTSL which raises a serious doubt on the genuineness of the sale of shares.

(d) It is observed that IGFL has entered loan agreement of Rs. 15 crore to Suresh Kumar Pramod Kumar (HUF), HUF of the Managing Director of IGFL, which exceeds 10% of the Annual Consolidated Turnover of IGFL. However, it is noted that IGFL has not taken any approval of shareholder for the above related party transaction in violation of the provisions of SEBI (LODR), 2015 and has made no announcement related to this transaction on the Exchange website which *prima facie* leads to evidence of misuse of funds by IGSL.

26. Thus, there is *prima facie* suspicion of misrepresentation of business/financials as well as evidence of misuse of funds/ books of accounts of the Company. The directors & KMPs have therefore *prima facie* failed to discharge their fiduciary responsibility. The Company is also liable for the *prima facie* violations observed and it is imperative that in the interest of investors, the financials of the Company be independently audited to establish their genuineness.

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.*

27. In view of the *prima facie* observations on misrepresentation of books of accounts by the company and the misuse of books of accounts/funds by the company, the persons who are in control of the company and the directors/promoters 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.

28. 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 and possible compromise of minority shareholder interest.
29. Pending enquiry/ audit, considering the interest of public shareholders involved in IGFL, I find it appropriate to revert the trading in securities of IGFL to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
30. 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

31. 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 IGFL and direct as under:
- i. The trading in securities of IGFL 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 forensic auditor interalia to further verify:
 - a. Misrepresentation including of financials and/or business of IGFL and its subsidiaries, if any;
 - b. Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.

- iii. The promoters and directors in IGFL are permitted only to buy the securities of IGFL. The shares held by the promoters and directors in IGFL 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 IGFL.
32. The *directors* for the purpose of direction mentioned at para 31 (iii and iv) 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
33. Accordingly, the representation made by IGFL is disposed of.
34. The above directions shall take effect immediately and shall be in force further Orders.
35. The *prima facie* observations contained in this Order are made on the basis of the *prima facie* material available on record. In this context, IGFL is advised to file its reply/objections to this interim order. The company, from the date of receipt of this Order, may file its reply, if any, receivable by SEBI within 30 days from such receipt, 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 IGFL 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 IGFL automatically, without any further orders.

36. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for their information and necessary action.

37. 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: March 01, 2018

PLACE: MUMBAI

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