

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003, AGAINST AUSTRAL COKE AND PROJECTS LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) received a letter dated August 26, 2009 from the Director General of Income Tax (Investigation), Ahmedabad. The said letter enclosed a copy of letter dated August 26, 2009 from the Deputy Director of Income Tax (Investigation), Ahmedabad. The Income Tax Department, vide the aforesaid letters informed SEBI of the manipulation in the books of accounts of Austral Coke and Projects Limited (hereinafter referred to as Austral or the company). The company is listed at the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited.

2. The Income Tax Department *inter alia* informed that :

- a) 'searches' carried out by the Income Tax Department at the residential and business premises of Austral group on June 23, 2009, revealed serious irregularities in the books of accounts of the company.
- b) bogus purchases running into hundred of crores had been debited to the books of accounts of the company.
- c) all the purchases were claimed to have been made from 29 non-existent concerns, all floated by one Ajitkumar Jindal of Kolkata.

d) Mr. Ajitkumar Jindal, in his statement recorded under Section 133 A of the Income Tax Act, 1961, admitted having provided bogus bills for the purchase of raw material as well as plant and machinery to the company.

e) such purchases identified so far by the Income Tax Department totaled up to Rs.553 crores.

f) the company had also shown sales of around Rs.495 crores to the concerns floated by Mr. Ajitkumar Jindal and to other concerns having the same address as the concerns of Mr. Ajitkumar Jindal, which apparently were bogus.

g) the company had raised funds through an Initial Public Offering (IPO) in the year 2008. That a part of the funds raised through the said IPO were shown in the books of the company as utilized towards purchase of capital goods from the concerns of Mr. Ajitkumar Jindal, which were found to be bogus and as stated above.

3. The financial year-wise break-up of such purchases and sales shown in the books of accounts of the company, as informed by Income Tax Department is as below:

Description	F.Y. 2006-07 (Rs.)	F.Y. 2007-08 (Rs.)	F.Y. 2008-09 (Rs.)	Total (Rs.)
Purchases	12.87	145.27	394.83	552.97
Sales	-	100.04	394.71	494.75

(Rupees in crores)

4. I note that the company came out with an IPO for 72,60,000 shares in the year 2008. The said issue opened on August 07, 2008 and closed on August 13, 2008 and the company raised a total of Rs.142.296 crores in the said IPO. I note that the Income Tax Department had observed that a part of the funds raised through the IPO were shown in the books of the company as utilized towards purchase of capital goods from the concerns of Mr. Ajitkumar Jindal, which have been found to be bogus. From the aforesaid letters, I find that a serious case has

been made against the company for making fictitious entries in its accounts, procuring bogus bills etc.

5. I note that the Bombay Stock Exchange Limited has been intimated (on August 24, 2009) that a meeting of the Board of Directors of the company will be held on September 03, 2009, *inter alia*, to discuss the raising of funds through Qualified Institutional Placement up to US\$ 200 Million; to consider interim dividend for F.Y. 2009-10; to consider any bonus shares and increase in authorized capital. Further, from a newspaper report (The Economic Times, dated August 25, 2009), I find that the company has said "*its board will meet on September 3 to consider raising \$200 million (nearly Rs 970.22 crore) by private placement of shares with qualified institutional buyers. The board would also consider bonus issue and to increase the authorized share capital of the company*".

6. As aforesaid, serious observations have been made by the Income Tax Department against the company, regarding its financials for the financial years 2006-2007, 2007-2008 and 2008-2009. Therefore, SEBI has ordered an investigation in the matter to investigate *inter alia* into the buying, selling or otherwise dealing in the securities of the company.

7. By manipulating the accounts/records, the company has *prima facie* played fraud on its shareholders. Further, the act of the company *prima facie* operated or would operate as a fraud upon any person who deals in the securities of the company. Thus, from the aforementioned acts, the company appears to have *prima facie* violated the provisions of Regulation 3 & 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. Taking into consideration the seriousness of the alleged manipulation in the books of accounts of the company, also being satisfied that any further issue of securities as proposed by the company will not be in the interest of the investors/shareholders and also in the

light of the fact that the company has convened a board meeting for the purposes of considering further issue of shares, SEBI as the regulator of the securities market is satisfied that it is necessary to immediately intervene to prevent further activities which are detrimental to the interests of the shareholders of the company and the integrity of the securities market.

8. In view of the foregoing, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11, 11(4) and 11B thereof and Regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, by way of ad interim ex-parte order, hereby prohibit Austral Coke and Projects Limited from raising any further capital in any manner, directly or indirectly, whatsoever till further orders.

9. If aggrieved, Austral Coke and Projects Limited may file its objections to this order, and, if it so desires, may appear for a personal hearing before the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai -400051, on September 09, 2009 at 11:30 a.m.

10. This order shall come into force with immediate effect.

DR.K.M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: September 01, 2009