

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF PAREKH ALUMINEX LIMITED

In respect of:

Noticee no.	NAME	PAN
1	Parekh Aluminex Limited	AAACP4696C

1. The genesis of the present proceedings lies in a reference dated December 15, 2015 from the State Bank of India (hereinafter referred to as "**SBI**") wherein it was informed that in the Due Diligence Report dated June 28, 2013 (hereinafter referred to as "**the report**"), carried out for the period 2012-2013 by Deloitte Touche Tohmatsu India Pvt. Ltd. ("**Deloitte**"), for Parekh Aluminex Limited (hereinafter referred to as "**Parekh/Noticee Company**"), various irregularities in the day to day affairs of the *Noticee Company* have been observed. Based on the aforesaid report, a preliminary investigation/examination was conducted by SEBI into the affairs of the *Noticee Company*, so as to ascertain if there are any violations of securities laws committed by it, Mr. Rajendra Gothi (ex-Director of the *Noticee Company*) and C.V. Pabari & Co., Chartered Accountants (Statutory Auditor of the *Noticee Company*) (hereinafter referred to as "**Pabari & Co.**").

2. In the aforesaid preliminary investigation/examination, owing to certain acts committed by the aforesaid entities, *prima facie* violations of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act, 1992**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") were noticed. The said acts which led to such violation of provisions of securities law are enumerated as under:

Order in the matter of Parekh Aluminex Limited

- i. The accounts of the *Noticee Company* were mis-stated and the practices adopted while drawing up the accounts were inconsistent and dubious.
 - ii. The *Noticee Company* had advanced monies which were in excess of limits prescribed under the Companies Act, 1956.
 - iii. The *Noticee Company* had advanced a total loan of INR 1314 Crore as on December 3, 2012, for which no documentation was executed with the borrowers. The loans and advances extended by the *Noticee Company* were understated in its books of accounts.
 - iv. The *Noticee Company* had adjusted loans extended by it to various companies against expenses which were not directly attributable to the business expenses of the *Noticee Company*.
 - v. The classification of inventories and debtors was done wrongly by the *Noticee Company*.
 - vi. The Statutory Auditor of the *Noticee Company* viz., Pabari & Co. had certified false and misleading Audit Report and had aided and abetted the *Noticee Company* in manipulating the financial statements.
3. Based on the afore-stated findings of investigation, SEBI vide its order dated August 30, 2017 (hereinafter referred to as the “*interim order*”) had restrained the *Noticee Company* from accessing the securities market and further prohibited it from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly till further orders. Further, the other two entities, viz., Mr. Rajendra Gothi and Pabari & Co., were called upon to show cause as to why suitable directions under the provisions of SEBI Act, 1992 be not issued against them for the violations so alleged in the *interim order*.
4. Subsequently, the proceedings against the two entities, viz. Mr. Rajendra Gothi and Pabari & Co., have culminated in passing of a final order dated October 31, 2018. The said entities have been held guilty of violation of provisions of SEBI Act, 1992 and PFUTP Regulations, 2003 and accordingly, Mr. Rajendra Gothi has been debarred from accessing the securities market directly or indirectly for a period of 10 years while Pabari & Co. has been restrained from issuing certificates of audit of listed companies for a period of 5 years.
5. Meanwhile, the *Noticee Company* has been compulsorily delisted from the platform of BSE Limited, with effect from July 04, 2018. As a consequence of the said act of compulsory

delisting, the *Noticee Company*, its whole time directors, its promoters and the companies which are promoted by any of them are not allowed to raise capital either directly or indirectly in the securities market or to seek listing for any equity shares for a period of 10 years from the date of delisting.

6. It is also noted from the records that in a separate proceedings initiated against the *Noticee Company*, the National Company Law Tribunal, Mumbai (hereinafter referred to as "**NCLT**") has vide its order dated November 23, 2017, has admitted the Petition no. (CP (IB) No. 1262/MB/MAH/2017) filed under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as "**the Code**") for initiating the Corporate Insolvency Resolution Process (CIRP). Accordingly, Mr. Avil Menezes, Resolution Professional has been appointed as the Interim Resolution Professional (hereinafter referred to as the "**IRP**") of the *Noticee Company*.

7. In pursuance of the aforesaid appointment of IRP, the following developments have taken place:

- I. A Committee of Creditors ("**CoC**") was constituted, which held its first meeting on January 10, 2018 and Mr. Avil Menezes, who was earlier appointed as Interim Resolution Professional, was appointed as the Resolution Professional of the *Noticee Company*.
- II. In the 3rd meeting of the CoC held on February 21, 2018, the CoC approved the Expression of Interest ("**EOI**") including the Evaluation Matrix for inviting prospective resolution applicants. Subsequently, in the 8th meeting of CoC held on August 08th, 2018, the Resolution Plan submitted by Eight Finance Private Limited ("**Resolution Applicant**") was put up for e-voting and was approved by a majority of 73.58% of the members of the CoC.
- III. However, the said Resolution Applicant made an application for withdrawal of the Resolution Plan filed by it and vide order dated January 07, 2020, Hon'ble NCLT directed to forfeit the Earnest Money Deposit (EMD) deposited by the Resolution Applicant.
- IV. Eventually, the CoC in its 12th meeting held on January 23, 2020, voted in favour of liquidation of the *Noticee Company* by a majority vote of 89.19% and resolved to seek its liquidation. Further, in a Joint Lenders Meeting held on February 18, 2020, the majority

of the lenders approved the appointment of Mr. Avil Menezes (the RP) as the Liquidator of the *Noticee Company*.

V. Hon'ble NCLT, vide its order dated October 07, 2020, after considering all the developments in the matter, held as: "...*From the above, it would appear that despite all possible steps as required under the Code taken during the CIRP, the CoC did not receive any viable resolution plan/proposal for revival of the Company. The CoC in its wisdom has resolved with 89.19% voting share in favour of the liquidation of the Company. This Authority has no reason before it to take a contrary view in terms of Section 33(1)(a) of the Code. Therefore, we have no option than to pass an order for liquidation of the Company in the manner laid down in Chapter-III of the Code. Hence ordered.*"

VI. Accordingly, the Hon'ble NCLT in the aforesaid order dated October 07, 2020, has *inter alia*, passed the following directions against the *Noticee Company* (Corporate Debtor):

- a) *The Corporate Debtor i.e. Parekh Aluminex shall be liquidated in the manner as laid down in Chapter-III of the Code.*
- b) *The Applicant Avil Menezes, presently RP of the Parekh Aluminex Limited, is appointed as the Liquidator.*

8. Reverting back to the pending proceedings against the *Noticee Company* before SEBI, as noted earlier, by virtue of the *interim* order, the *Noticee Company* is already under the restraint from accessing the securities market with effect from August 30, 2017. It is also pertinent to reiterate that the equity shares of the *Noticee Company* have already been delisted from BSE Limited w.e.f July 04, 2018 and as a statutory consequence to the same, the *Noticee Company* is debarred from accessing the securities market for a period of 10 years from the date of the said delisting. Further, the proceedings emanating from the *interim* order against the Ex-Director of the *Noticee Company* as well as the Statutory Auditor have already been concluded by issuance of the final order *qua* them dated October 31, 2018.

9. I observe that besides the aforesaid actions and developments pertaining to actions by the *Noticee Company* under the securities laws, the *Noticee Company* has already been ordered to be liquidated. The records before me suggest that during the said order directing liquidation, no counter/objections has been filed by any of the Directors of the *Noticee Company*, objecting to the said order of liquidation. It is also worthwhile to mention here that the *interim* order of SEBI

had provided an opportunity to the *Noticee Company* also to file its reply to the observations so made in the said *interim* order, however, there is nothing on record to indicate that the *Noticee Company* has filed any objection/reply in response to the observation recorded in the *interim* order.

10. To sum up, it is noted that the *Noticee Company* has already remained under restraint from accessing the securities market for a period of more than three years in terms of the above stated *interim* order and further by virtue of the action of compulsory delisting, it shall remain prohibited from accessing the capital market till July, 2028. Additionally, the Ex-Director and Statutory Auditor have already been proceeded against by passing of the final order dated October 31, 2018. In view of the foregoing, I observe that the attendant facts and circumstances of the present case, particularly the fact that the *Noticee Company* is under liquidation, its equity shares have been compulsorily delisted, it has already restrained from dealing in securities for a reasonable period and further prohibited from accessing the capital market in terms of SEBI (Delisting of Equity shares) Regulations, 2009, I observe that the restraint/prohibition imposed on the *Noticee Company* vide the *interim* order need not continue.

11. Accordingly, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act, 1992 read with Sections 11, 11B and 11(4) thereof, hereby direct the discontinuation of restraint/prohibition issued against the *Noticee Company* vide the *interim* order and dispose of the proceedings against the *Noticee Company* without any further directions.

12. The Order shall come into force with the immediate effect.

13. A copy of this order shall be forwarded to the *Noticee Company*/Mr. Avil Menezes (Liquidator), all the recognized Stock Exchange, Depositories and Registrar and Transfer Agents for ensuring compliance with the above directions.

DATE: FEBRUARY 12TH , 2021

S. K. MOHANTY

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Order in the matter of Parekh Aluminex Limited