ADHUNIK INDUSTRIES LIMITED

(Formerly known as Bhagwati Resources Ltd.)
An ISO 9001:2015 , 14001 : 2015 & 18001 : 2007 Organisation
Corporate Office : "LANSDOWNE TOWERS", 2/1A, SARAT BOSE ROAD, KOLKATA - 700 020
Phone : 033-3051 7100 ★ Fax : 91-33-2289 0285 ★ Website : www.adhunikindustries.com
E-mail: info@adhunikgroup.com

30th August, 2019.

To,

The Secretary The BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400 001. Scrip Code- 538365	The Secretary National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (E) Mumbai-400 051. Scrip Code- ADHUNIKIND
The Secretary The Calcutta Stock Exchange Ltd 7 Lyons Range Kolkata-700 001. Scrip Code- 10028188	

Dear Sir,

Sub: Disclosure pursuant to requirement of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Pursuant to the provision of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed a copy of Order No. **WTM/MPB/ISD/61/2019** dated August 29, 2019 passed by Securities and Exchange Board of India ("SEBI"), which is self-explanatory.

The said Order is enclosed with this letter.

This is for your information and record please.

Thanking You,

Yours faithfully,

For Adhunik Industries Limited

Managing Director
(Jugal Kishore Agarwal)
(DIN: 00227460)

Encl.: As mentioned above

WTM/MPB/ISD/ 61 /2019

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11, 11(4), 11A AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

IN THE MATTER OF

Sl. No.	NAME	PAN
1.	M/s Adhunik Industries Limited	AACCB2765Q

In Re: SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

Background of the case:

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**), in the interest of investors, vide its letter dated August 7, 2017 took the pre-emptive interim measures under section 11(1) of SEBI Act, 1992, in respect of certain listed companies identified as "shell companies" by the Ministry of Corporate Affairs (hereinafter referred to as **"MCA"**) including M/s Adhunik Industries Limited (hereinafter referred to as **"AIL" / "Company" / "Noticee"**). 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 of AIL 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 the company 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 complete their detailed examination of such companies.

2. Aggrieved by the aforesaid letter dated August 7, 2017 issued by SEBI and consequent actions of Stock Exchanges, AIL filed an appeal No. 215 of 2017 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as **"SAT"**). The Hon'ble SAT vide order dated September 21, 2017 had directed SEBI and Stock Exchanges to reverse their decisions all dated August 07, 2017 qua the Noitcee and had noted that AIL had made representation to SEBI and directed SEBI to dispose of the representation made by AIL in accordance with law. Hon'ble SAT also held that its order dated September 21, 2017 shall not come in the way of SEBI as well as the stock exchanges to investigate the case of AIL and initiate proceedings if deemed fit.

3. 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, in the interest of natural justice, an opportunity of personal hearing was granted to AIL on September 15, 2017. The authorized representative of AIL had appeared for hearing and made submissions.

4. Thereafter, SEBI vide Interim Order dated September 21, 2018 (hereinafter referred to as **"Interim Order"**), had directed, against M/s Adhunik Industries Limited that:

"25. .....

i. Exchange shall appoint an independent forensic auditor inter alia to further verify:

a. Misrepresentation including of financials and/or business by AIL, if any,;

b. Misuse of the books of accounts / funds including facilitation of accommodation entries or compromise of minority shareholder interest, if any.

ii. The promoters and directors in AIL are permitted only to buy the securities of AIL. The shares held by the promoters and directors in AIL shall not be allowed to be transferred for sale, by depositories....."

Observations in Interim Order:

5. The *prima facie* observations in the Interim Order were as under:

"……

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

(a) Related Party Transactions:

(i) With respect to the related party transactions, SEBI vide email dated December 20, 2017 had advised Company to submit documents - copy of shareholder's resolution, board resolution, approved proposal of audit committee etc. for all the related party transactions carried out during the F.Y. 2015-16 and FY 2016-2017. In response to it AIL vide letter dated December 30, 2017 has submitted the extracts of resolution passed in the Audit Committee meeting and Board meeting for the F.Y. 2015-16 and Extracts of resolution passed in Audit Committee meeting, Board meeting and special resolution for the material related party transactions to be entered in the F.Y. 2016-17. The details are as under:

Date	*Resolution*	*Remarks*	*Amount (In Rs.)*
29/05/2015	*Audit Committee Meeting*	*Omnibus approval of Related Party Transaction during the F.Y. 2015-16*	*35,00,06,000*
29/05/2015	*Board Meeting*	*Omnibus approval of Related Party Transaction during the F.Y. 2015-16*	*35,00,06,000*
27/05/2016	*Audit Committee Meeting*	*Omnibus approval of Related party transaction during the F.Y. 2016-17*	*41,00,00,000*
27/05/2016	*Board Meeting*	*Omnibus approval of Related Party Transaction during the F.Y. 2016-17*	*41,00,00,000*

12/08/2016	*Audit Committee Meeting*	*Approval of Related party transaction during the F.Y. 2016-17*	*1,52,00,06,000*
12/08/2016	*Board Meeting*	*Approval of Related party transaction during the F.Y. 2016-17*	*1,52,00,06,000*
21/09/2016	*Special Resolution*	*Approval of Related party transaction during the F.Y. 2016-17*	*1,52,00,06,000*

(ii) On the basis of above table for FY 2015-16, out of aggregate amount of Rs. 35 crores approved in the board meeting and Audit committee, it is observed that 32 crores stood for Adhunik Corporation Ltd. Further, Annual Report for FY 2015-16 also indicated that the company had major related party transactions with Adhunik Corporation Ltd. as brought out below. On the analysis of the bank statements for FY 2015-16 submitted by the company and the Ledger statement as provided by company vide reply dated September 25, 2017, the amount credited / debited from / to Adhunik Corporation Ltd. during the FY 2015-16 as per both the documents are as under:

Particulars	***Amount as per Ledger statement as provided by company vide reply dated September 25, 2017(in Rs.)***	***Amount as per Annual Report of FY 2015-16 (in Rs.)***	***Amount as per Bank statements (in Rs.)***
Amount received	*10,38,20,432*	-	*2,05,49,95,000 *(approx.)*
Amount Paid	*12,34,84,962*	-	*2,34,62,53,663 *(approx.)*
Sale Amount	*10,34,25,392*	*10,34,20,647*	-
Purchase Amount	*16,29,81,921*	*16,29,81,859*	-
Amount receivable	*0*	*0*	-
Amount Payable	*4,48,82,087*	*4,48,82,087*	-

**Amount as per Bank Statements submitted by the Company. This approximate amount is as reflected in the entries against the name of 'Adhunik Corporation Ltd' seen in 23 bank accounts statements submitted by the company. There may be possibility of more such entries without the name of Adhunik Corporation Ltd' being reflected in the narration of such entries.*

(iii) On analysis of ledger statements of Adhunik Corporation Limited submitted by the company, prima facie it is observed that the company received Rs. 10.38 crores and paid Rs. 12.34 crores during the F.Y. 2015-16 on account of sale and purchase of products respectively. However, as per bank statements of 23 bank accounts submitted by the Company for the F.Y. 2015-16, prima facie, it is observed that the company received more than Rs. 200 crores and paid more than Rs. 200 crores from/to Adhunik Corporation Limited during the F.Y. 2015-16.

(iv) In this regard, SEBI vide email dated April 19, 2018 has advised AIL to provide the details of the nature of transactions for the receipt (of more than Rs. 200 crores) and transfer of funds (of more than Rs. 200 crores) entered with Adhunik Corporation Limited along with its comments for any non-disclosure in the Annual Report of F.Y. 2015-16. AIL vide its letter dated April 27, 2018 submitted that "these on-account payments received from and made to Adhunik Corporation Limited was occasioned mainly due to cash credit limit of the company being overdrawn when temporary interest free accommodation was arranged from Adhunik Corporation Limited to maintain the continuity of the operation of the Company. There being no sales or purchase of goods, the temporary accommodation was reflected in the books of accounts but not in the regular sale and purchase account."

(v) From the Company's Annual Report for the F,Y. 2015-16, prima facie, it is observed that the several funds transfer with Adhunik Corporation Limited amounting to more than Rs. 400 crores are not reflected in the related party transactions.

(vi) As per regulation 2 (1) (zc) of LODR regulations, Related party transactions means "a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:" Thus, transfer of resources between a listed entity and a related party falls under the definition of related party transactions.

(vii) As per the explanation furnished in Regulation 23(1) of LODR Regulations "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." Therefore, the receipt of more than Rs. 200 crores and transfer of more than Rs.200 crores totaling to more than Rs. 400 crores of such transfers between AIL and Adhunik Corporation Limited in the F.Y. 2015-16 amounts to more than 97% of the annual turnover of AIL during the F.Y. 2014-15 (Revenue from operation is Rs. 411 crores) which exceeds 10% of Annual consolidated turnover of AIL and thus it is a material related party transaction in terms of Regulation 23(1) of SEBI(LODR) Regulations. It is noted that company's claim of temporary interest free accommodation has not been verified. However, even if the argument of the company is considered, still the transactions of AIL of approximately Rs. 200 crores with Adhunik Corporation Limited is a related party transaction and is a material related party transactions that should have relevant approvals and disclosures.

(viii) As per regulation 23(4) SEBI (LODR) Regulations, 2015 "All material related party transactions shall require approval of the shareholders through resolution." Company vide its reply dated April 27, 2018 did not provide any reply for any non-disclosure in the Annual Report of F.Y. 2015-16 which was sought vide SEBI email dated April 19, 2018. Also, it is observed from the extracts of resolution passed in the Board meeting and Audit Committee meeting dated May 29, 2015 furnished vide its

reply dated December 30, 2017, that omnibus approval of related party transaction with Adhunik Corporation Ltd. was obtained for 'Sale of Finished Goods' for Rs. 12 crores and 'Purchase of Goods' for Rs.20 crores. Hence, requisite Audit Committee Approvals, Board Approvals and Shareholders' approval were not obtained by the company while executing such funds transfers amounting to more than Rs. 400 crores with Adhunik Corporation Ltd. Thus, there is a prima facie evidence that AIL was not in compliance with regulation 23(4) SEBI (LODR) Regulations, 2015.

(b) <u>Advance from customers:</u>

(i) During the course of hearing as well as SEBI vide email September 18, 2017 advised AIL to submit the details of full break up and documents with respect to other short term liabilities for FY 2015-16. AIL vide letter dated September 25, 2017 submitted the following details of other short term liabilities:

S.No.	*Particulars*	*Amount in Rs.*
1	*Current maturities of long term debt*	*6,44,26,087*
2	*Advance from customers*	*12,46,21,290*
3	*Unpaid/unclaimed dividends*	*2,04,0000*
4	*Statutory dues*	*2,66,08,660*
	TOTAL	***21,58,60,037***

(ii) Upon analysis of documents submitted by AIL with respect to the details of other short term liabilities i.e. as per Annexure D of the reply dated September 25, 2017, it is observed that Rs. 12.46 crore was advance from 103 customers. Considering the large number of customers, SEBI vide email dated December 20, 2017 advised AIL to provide the details of top 5 advance received from customers out of the list of 103 customers. AIL vide its reply dated December 30, 2017 provided the bank statement highlighting

the receipt of advance and the copy of purchase order containing contract terms. The details provided by the company are listed below:

S. No.	***Name of Customers***	***Amount received as on March 31, 2016 (as per reply dated September 25, 2017) in Rs.***	***Advance received from customers as per highlighted bank entries (vide reply dated December 30, 2017) in Rs.***
1	*Rameshwar Iron and Steel Pvt Ltd*	*2,41,58,420*	*2,57,13,788*
2	*Vivekananda International University*	*94,13,969*	*1,39,52,700*
3	*Kritika Wires (P) Ltd*	*1,36,43,990*	*1,39,51,471*
4	*Ravi Steel Pvt. Ltd*	*52,23,732*	*60,00,000*
5	*Radhika Enterprises*	*2,92,305*	*10,00,000*

(iii) On analysis of highlighted entries in the bank statements provided by the company (vide its reply dated December 30, 2017) w.r.t top 5 advances received from customers, it appears that most of the advances have been received by the company during the F.Y. 2015-16 except the advance of Rs. 1.39 crore received from Vivekananda International University in the month of February 2014 in two tranches which is outstanding (Rs. 94,13,969) as on March 31, 2016. AIL replied that they had received ad-hoc payment on regular basis for supply of material as per the Purchase order. AIL vide its reply dated December 30, 2017 has also submitted email correspondences with Vivekanada International University.

(iv) SEBI vide email dated April 19, 2018 advised AIL to provide comments on differences in the details of Advance received from customers as on March 31, 2016 in terms of

the reply dated September 25, 2017 and December 30, 2017 as mentioned in the table above. AIL vide letter dated April 27, 2018 submitted the copy of statement for reconciliation of differences in the amount of advances received and further submitted that the differences is because the partial amount of advance received is adjusted with the earlier sales made.

(v) It is noted that AIL vide its reply dated April 27, 2018 has not provided the current status w.r.t. the advance received from Vivekananda International University which is outstanding (Rs. 94,13,969) for more than two years as on March 31, 2016.

(vi) AIL have also submitted that they received Rs. 60,00,000 as advance from Ravi Steels Pvt Ltd and made a sales of Rs. 7,76,267 during the F.Y. 2015-16 and the amount of Rs. 52,23,732 is still lying with AIL because the order is under hold. It is noted AIL vide its reply dated April 27, 2018 has not provided the current status w.r.t. the same.

(vii) Thus, advances received from Vivekananda University and Ravi Steels Pvt. Ltd. prima facie do not appear to be in line with normal commercial practice. Thus, there is prima facie suspicion of misrepresentation of financials of AIL.

*(c) **Advance payment to Supplier:***

(i) During the course of hearing as well as SEBI vide email September 18, 2017 advise AIL to submit the details of full break up and documents with respect to Short term Loans and Advances for FY 2015-16. AIL vide letter dated September 25, 2017 submitted the following details of Short term loans and Advances:

S.No.	Particulars	Amount in Rs.
1	Security Deposits (Sales Tax Department)	8,59,80,000
2	Advance recoverable in cash or in kind (Amount of Rs. 9.46 crores as Input VAT)	9,83,13,367
3	Prepaid Expenses	1,35,552
4	Advance Payment to Supplier (Gagan Ferrotech 8.27 crores)	9,86,41,959
5	Balance with IT Authorities (Net Provision for taxation)	2,34,19,633
6	Balance with statutory/government authorities (Amount of Rs. 10.35 crores as Cenvat Credit for raw materials)	11.02.30.269
	TOTAL	41,67,20,780

(ii) *Upon analysis of documents submitted by AIL with respect to the details of Short term loans and Advances, it is noted that out of the total amount of Rs.9.86 crores for Advances to Suppliers, 8.27 crores pertained to only one entity i.e. Gagan Ferrotech Ltd. Therefore, SEBI vide email dated December 20, 2017 advised AIL to provide the bank statement highlighting the payment of Rs. 8.27 crores to Gagan Ferrotech Ltd. including contract terms, agreement copy along with documentary evidence and subsequent transactions.*

(iii) *AIL vide letter dated December 30, 2017 submitted that the company has made ad-hoc payment of Rs. 10.15 crore to Gagan Ferrotech Limited during the period March 08, 2016 to March 22, 2016 and Rs. 8.27 crore was balance amount lying in the books of account in the ordinary course of operations of the Company following adjustments on FIFO basis method. The details of advance payment of Rs. 10.15 crore made by AIL to Gagan Ferrotech Limited as submitted by AIL is as under:-*

S. No.	Date of payment of amount	Bank Name	Amount (Rs.)
1	08-03-2016	Letter of Credit	2,50,40,000
2	09-03-2016	State Bank of India, CAG Branch, Kolkata	1,55,00,000
3	15-03-2016	State Bank of India, CAG Branch, Kolkata	1,50,00,000
4	18-03-2016	State Bank of India, CAG Branch, Kolkata	2,00,00,000
5	22-03-2016	Letter of Credit	2,59,87,500
	Total		10,15,27,500
	Amount outstanding as on 31-03-2017		**8,27,34,285**

(iv) AIL further submitted vide letter dated December 30, 2017 that "the company had not made purchases from the party and the amount get subsequently refunded". The details of the refund (received from Gagan Ferrotech Limited) during the period April 12, 2016 to June 08, 2017 as submitted by AIL is as under:-

S. No.	Date of refund of amount	Bank Name	Amount (Rs.)
1	12-04-2016	Punjab National Bank, Shakespeare Sarani Branch, Kolkata	1,79,00,000
2	25-04-2016	Punjab National Bank, Shakespeare Sarani Branch, Kolkata	2,46,00,000
3	06-05-2016	Punjab National Bank, Shakespeare Sarani Branch, Kolkata	1,80,00,000
4	02-07-2016	Canara Bank, Brabourne Road Branch, Kolkata	25,00,000

5	*04-07-2016*	*Canara Bank, Brabourne Road Branch, Kolkata*	*26,90,000*
6	*05-07-2016*	*Canara Bank, Brabourne Road Branch, Kolkata*	*20,00,000*
7	*05-06-2017*	*HDFC Bank, Rasoi Court Branch, Kolkata*	*50,00,000*
8	*07-06-2017*	*HDFC Bank, Rasoi Court Branch, Kolkata*	*50,00,000*
9	*08-06-2017*	*HDFC Bank, Rasoi Court Branch, Kolkata*	*50,00,000*
10	*08-06-2017*	*HDFC Bank, Rasoi Court Branch, Kolkata*	*50,00,000*
	Total		***8,76,90,000***

(v) Upon analysis of documents submitted by AIL vide letters dated September 25, 2017 and December 30, 2017, SEBI observed that the purchase order (issued to Gagan Ferrotech Limited) attached with the reply dated December 30, 2017 is of March 2015 and the advance for the supply of material has been paid in March 2016 (by AIL). Therefore, SEBI vide email dated April 19, 2018 advised AIL to explain the same.
AIL vide letter dated April 27, 2018 submitted that AIL issued purchase order (to Gagan Ferrotech Limited) on March 2015 for huge quantity and supplier (i.e. Gagan Ferrotech Limited) was initially not able to supply the goods at the price of order so Company was each and every time revalidating the order and finally in March 2016 the indicative price got settled and AIL made advance payment to Gagan Ferrotech Limited.

SEBI observed that AIL has not submitted any documentary evidence in support of the revalidation of order during the period March 2015 to March 2016 and also has not submitted the final purchase order (issued to Gagan Ferrotech Limited) or Proforma invoice to substantiate that the order finally got revalidated in March 2016.

(vi) Upon analysis of documents submitted by AIL, SEBI observed that the amount of advance outstanding was Rs. 8.27 crores as on March 31, 2016. However, AIL vide reply dated December 30, 2017 submitted that they received Rs. 8.76 crores (from Gagan Ferrotech Limited) since no transactions were carried out. Therefore, SEBI vide email dated April 19, 2018 advised AIL to explain about the excess amount so received by AIL.

With respect to receipt of excess amount of Rs. 8.76 crores (from Gagan Ferrotech Limited) against the advance payment of Rs.8.27 crore, AIL vide letter dated April 27, 2018 submitted that they had regularly been doing transaction with the party (i.e. Gagan Ferrotech Limited) and the amount of Rs. 0.49 crores is an excess amount that get settled in due course with transaction at a future dates.

SEBI observed that AIL has only paid advance to Gagan Ferrotech Limited and got refund back the amount from Gagan Ferrotech Limited in more than a year without executing the purchase order dated March 30, 2015. It is also observed that there is huge delay in recovering the advance of more than Rs. 8 crores without any specific reasons pointed out and the last refund received was on June 08, 2017 against the purchase order of March 2015 and the advance payment made in the month of March 2016. It is also observed that no interest has been recovered by AIL for the delay.

(vii) SEBI observed that AIL vide its reply dated December 30, 2017 have stated that two letter of credit have been issued to Gagan Ferrotech Limited, however, no relevant documentary evidence was submitted. Therefore, SEBI vide email dated April 19, 2018 advised AIL to provide the copy of letter of credit dated March 08, 2016 and March 22, 2016. AIL vide letter dated April 27, 2018 submitted the copy of letters of credit.

SEBI observed that the advance payment of Rs. 10.15 crores in the month of March 2016 (Rs. 8.27 crores outstanding as on March 31, 2016) includes issuance of Letter of credit to Gagan Ferrotech Limited amounting to Rs. 5.09 crores. From the reply of the Company, it appears that AIL may have allowed the realization of letter of credit amounting to Rs. 5.09 crores to Gagan Ferrotech Limited without even receiving the material against the purchase order of March 2015.

(viii) Thus, from the above, it is noted that AIL had made advance payment of Rs. 10.15 crores to Gagan Ferrotech Limited in the month of March 2016 (Rs. 8.27 crores outstanding as on March 31, 2016) with respect to purchase order issued to Gagan Ferrotech Limited in the month of March 2015. It is also noted that the said amount was subsequently refunded back to AIL by Gagan Ferrotech Limited during the period April 12, 2016 to June 08, 2017 (i.e. during the period of approximately 15 months) as no purchases were made by AIL. Thus, there appears to be prima facie suspicion of misuse of books of accounts / funds of AIL.

……."

6. Vide said interim order, SEBI had advised AIL to file its reply/objections to the said interim order within 30 days from the date of receipt of the said interim order and also to indicate in its 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. The said interim order also mentioned that if AIL had failed to file the reply or request for an opportunity of personal hearing within the said 30 days, the preliminary findings of the said interim order and ad-interim directions shall stand confirmed against AIL automatically, without any further orders.

7. Vide email dated September 24, 2018 the copy of interim order was forwarded to AIL. Vide letter dated September 24, 2018, the copy of interim order was also sent to AIL at *"Adhunik Industries Limited, 14, 2nd Floor, N.S. Road, Kolkata, West Bengal – 700 001"*.

Reply to Interim Order:

8. AIL vide letter dated October 22, 2018 had acknowledged the receipt of interim order and requested for an opportunity of personal hearing and *inter alia* made following submissions:

"……

8.1. ……*At the outset we wish to state that the Order passed against us has severely damaged our reputation and has led to loss of confidence of our investors as well as other stakeholders. While the damage caused by the Order is irreparable, the directions issued in the Order has left huge scope for guesswork, tarnishing our reputation and impacting the future prospects of the company*……

8.2. ……*it is submitted that there were no observations made by MCA in its letter dated June 09, 2017. Further, SEBI has not provide us the letter of SFIO dated May 23, 2017 which was purportedly attached with the letter of the MCA, containing its inputs. However the same has been relied in the captioned Order, which is in gross violation of the principles of natural justice in as much as we were never given an opportunity to refute the allegations/findings of SFIO……*

8.3. ……*In the captioned Order it has been observed that the letter from MCA was a trigger point for the initiation of the enquiry as mentioned in the captioned Order. On the basis of the enquiry made by your goodself certain conclusions have been arrived and findings have been made by your goodself in the Order. The Order states that the said findings are prima facie findings.*

8.4. *It is our humble submission that these submissions cannot be prima facie findings as they have been passed after enquiry after considering all the documents/material/information submitted by us. It is pertinent to note that the Order states that the direction of the appointment of forensic audit shall be effective immediately. Since the directions are effective immediately, in no manner it can be said that the findings are prima facie in nature.*

8.5. ……*In this regard, it is submitted that the said directions of verifying the credentials and conducting forensic audit, if required, were given to the exchanges considering the fact that the exchange is the first level of the regulator who regulates a listed company under LODR Regulations, and the duty is casted upon it to primarily regulate a listed company.*

8.6. *It is humbly submitted that even in the present Order, the same duty is casted again on the exchange to conduct the forensic audit which clearly shows that the Board being a watchdog was clear from the first day itself that it is the exchange who will look into the credentials of the company and accordingly will take the decision regarding the forensic audit. In fact, the exchanges upon making inquiries with us and based on the representation given by the Company was clear that there was no violation of the 5 clauses of LODR Regulations and the fact has been duly recorded in the Order at para 16. Please note that no observation has been made as to which five clauses were examined and still*

a forensic audit has been recommended and again the responsibility of the same has been entrusted on the exchanges, the same clearly imply that the first report of the exchange is not believed, without citing any reasons for the same.

8.7. *We fail to understand as to even after completion of the enquiry how the findings made by your goodself can be said to be prima facie findings wherein the direction contemplated at both the stages remain to be same. In this regard your kind attention is drawn to observations made in paragraph 29 of the Order, wherein it has been observed that 'The prima facie observations contained in this Order are made on the basis of the prima facie material available on the record.....*

8.8. ***Preliminary objection:***

8.8.1. *Rowing Inquiry*

8.8.1.1. *As stated earlier, it is reiterated by the Company that the present investigation were initiated by SEBI subsequent to the issuance of the letter dated August 07, 2017 vide which very severe restrictions were leveled on the trading of shares of the Company. This action was prompted by the receipt of the letter from MCA dated June 09, 2017 along with the letter of SFIO which allegedly contained the observations against the Company. These observations were made classifying the company as an alleged shell company.*

8.8.1.2. *A representation was made by the Company against the said order of SEBI depicting that the Company was not a shell company but a going concern. Subsequent to the receipt of the representation from the Company, the present investigation was initiated by the SEBI, The scope of the investigation is stated in para 3 of the Order where in these is not even a whisper of the Company being an alleged shell Company. Or that the investigation was carried out with a view to conclude whether the company is a shell company or not.*

8.8.1.3. *It is only upon the receipt of the Order that the Company came to know the ambit of the investigation was to find out if there was any violations under the provisions of the LODR Regulations and if the books of accounts were mis-represented or there were any instances of mis-utilization of the funds. Further the period which was under investigation was also not intimated to the Company. Subsequent to the alleged preliminary investigation, some alleged discrepancies were observed in the transactions executed by the Company in its ordinary course of business. Without seeking explanation from the Company, the said transactions were marked as stained and the grave violations under the provisions of LODR Regulations, mis-utilization of funds and mis-representation of books of accounts were levied against the Company on the basis of the prima facie investigation. It is submitted that the Company's explanation to the said transactions was not considered while issuing the present Order. While issuing the Interim order, it cannot even be concluded whether the investigation with regard to the Company being an alleged Shell Company was done by SEBI or not.*

8.8.1.4. *From the above, it can be seen that the enquiry against the company have been carried out in a prejudiced manner with a goal to implicate it in some or the other way though rowing and fishing enquiry. It is reiterated that that the veracity of the transaction carried out by it are not checked before the declaring the transaction tainted.....*

8.8.1.5. *.....It is submitted that case laws make it quite clear that the SEBI is not expected to make rowing and fishing enquiry just to implicate us on the basis of the pre drawn conclusion and surmises and conjunctures.....*

8.8.2. <u>*Onus to prove the allegation*</u>

8.8.2.1. *.....The allegations levied against us are on the basis of surmises and conjunctures and the same is done in the light of the certain transactions which are entered in to by the Company in the ordinary course of business. It is further submitted that the Order proceeds on the basis that since these transactions prima facie do not appear to be in line with the normal commercial practice and thus raise a prima facie suspicion of misrepresentation of the books of accounts and mis-utilization of funds by the Company. It is further submitted that the Order has not provided with any reasons as to why the transaction entered in to by the Company are allegedly or carried out with an intention to misuse the funds or to mis-represent the books of accounts of the Company. This has handicapped the Noticee to defend this vague allegation levied against us in this SCN.....*

8.8.3. <u>*Vague Order*</u>

8.8.3.1. *It is further submitted that the Order is bad in law and must be struck down on the ground of being vague and uncertain. Please note that since this Order has been treated as an Show Cause Notice, the law as regards the requirement of issuance of Show Cause Notice and the contents that are mandatorily required to be included in such show cause notice was recently considered and elaborated by the Hon'ble Supreme Court in Gorkha Security Services v. Govt. (NCT of Delhi), (2014) 9 SCC 105.....*

8.8.3.2. *.....It is humbly submitted that the Order nowhere makes out any specific case against the Company and in any manner provides an opportunity or details of any allegations that it has to meet. The Order is general and vague in nature and there is no specific case made out against the Company as to why the allegation of mis-utilization of the fund and mis-representation of books of accounts have been alleged against the Company and accordingly Company's submissions are also in respect of establishing its innocence by showing the genuineness of the transactions which has allegedly raided the suspicion of your goodself. It is therefore submitted that the order which acts as an SCN does not meet the mandatory requirements of a valid show cause notice as laid down by*

the Hon'ble Supreme Court in the aforesaid decision and so must be struck down on this ground alone.

8.9. ***Reply on merit:***

8.9.1. *Related Party Transactions:*

8.9.1.1.....*The Company hereby submits that the transaction as alleged in the Order is not a transfer as per the provisions of the Regulation 2(1)(zc) of the LODR Regulations since there is no transfer of ownership of the funds, it is just a temporary movement of funds which is returned to ACL. Transfer is a more permanent transaction and not temporary in nature as can be seen from the present transaction.*

8.9.1.2.*Furthermore, the said transaction cannot be termed as a transfer of resources as stated hereinabove, this is not a transfer as contemplated under the provisions of LODR Regulations and also money which are not resources as stated in the LODR Regulations. Further there is no transfer of services or obligations in the transaction under scanner in the Order.*

8.9.1.3.*Furthermore, there is no consideration being paid for the said temporary transfer of funds and is only a single transaction.*

8.9.1.4.*ACL is a related party as per the provisions of Section 2 (76) of the Companies Act, 2013 since directors of the Company viz. Jugal Kishore Aagarwal, Mohan Lal Agarwal and Mahesh Kumar Agarwal are directors in ACL and they along with their relatives are holding more than 2% of the total shareholding of both the Company. It is further submitted that ACL is one of the Group Companies of the Adhunik Group since it is promoted by the same set of promoters.*

8.9.1.5.*The Company had for the FY 2015 - 2016, taken omnibus approval from its Audit Committee for total transactions to the tune of Rs. 32.00 Crores with ACL in its meeting held on May 29, 2015. Further, the approval of the Board of Directors to the said related party transaction limit was provided in its meeting dated May 29, 2015.*

8.9.1.6.*For the said financial year the Company had sold goods amounting to Rs.10,34,20,647 to ACL and at the same time the company has purchased goods from ACL amounting to Rs. 16,29,81,859. The same has been disclosed by the Company in its financial statements for the FY 2015 - 2016 and the allegation to the otherwise has not been levied by your goodself in the captioned Order. The copy of the annual Report for FY 2015 - 2016 depicting the said related party transaction with ACL is attached.*

8.9.1.7.*With regard to the to the fund movement of more than 200 crore approx. in the FY 2015 - 2016, to and from ACL, it is submitted that the said transactions were not related party transactions as contemplated under the provision of LODR Regulations.*

8.9.1.8. *It is submitted that the Company is a steel manufacturing company and the working capital requirement of the Company is very high and also the cycle of working capital is too long. To meet this high requirement of the working capital and the long cycle of working capital, Company has taken working capital loans and cash credit facilities from various financial institutions.*

8.9.1.9. *However, even after the best efforts and prudence of the Company and its management to manage its working capital requirements, there are certain situations where the resource available with the company through its various facilitates are over-drawn to its maximum limits and there was no option available to but to seek some alternate means to finance its requirements in the temporary period till the time the necessary funds are available with the company either in the form of internal accruals or external financing facilities so that there are no glitches in the smooth functioning of the Company. In such a scenario, the Company has an option with it to seek temporary assistance from its promoters or prompter related entities viz. ACL.*

8.9.1.10. *Accordingly, the Company approached ACL to assist them in their difficult situation. Since some spare funds were available with the ACL at that point of time the same were made available to the Company. Please note that this arrangement was temporary and when the Company was able to generate necessary funds to manage its own working capital needs, the funds received from ACL were transferred back to it.*

8.9.1.11. *The said amount was made available interest free from ACL. Had the company had to make temporary arrangements from third party to funds its requirements, the Company would have been charged heavy interest and the said interest burden would in turn decrease the profitability of the Company. The reduced profitability due to third party loans would in fact the affect the interest of the small shareholders.*

8.9.1.12. *As recorded in the Order, the company had taken the necessary approvals for its related party transactions as per the provisions of Regulation 23 of LODR Regulations and the company has no problem in disclosing its cash credit on account transaction with ACL. It is submitted that, the money provided by ACL to the company was utilized by the Company and the same was returned to ACL. Subsequently, when the company was again in need of funds the same money was extended to them and this cycle would go on. Accordingly, the amount as depicted in the Order being more then Rs. 400 crores is actually an accumulation of the movement of the same funds in various cycles throughout the year. Kindly appreciate that the transactions were fully disclosed in the books of accounts of the company and the same were duly approved by the Audit Committee and Board of Directors as well as shareholders of the company while approving the annual accounts of the Company.*

8.9.1.13. *Accordingly, due to the inappropriate appreciation of law, the transactions which actually did not have any movement of resources have been treated as related party transactions in the Order.*

8.9.1.14. *Here it is pertinent to appreciate the intention of the legislature in formulating requirement of specific disclosures on related party transactions. The intention of the said disclosures is that no undue benefit should be transferred to a related party at the cost of the innocent investors.*

8.9.1.15. *However, in the present case, the said related party transaction had a huge benefit to the Company, and its shareholders since the burden of interest cost was reduced significantly and the funds were available as per the requirement of the Company. Accordingly the purpose of this disclosure was fulfilled as the details where there is an exchange of goods against the funds has been accounted for and necessary approvals were taken and disclosures made in the financial statements.*

8.9.1.16. *With regard to the materiality of the transactions with ACL, it is reiterated that these transactions are not a series of transactions which could be added cumulatively but a transaction wherein the same funds moved cyclically from one entity to another and back to the other. Since at no time during the year the company had due of more than Rs. 43.97 Crores and the company was of the view that the said amount is 9.68 % of the total turnover of the Company i.e. Rs. 454.32 Crores which is not material and accordingly the provisions of disclosure of material related party transaction as per the LODR were not required to be complied with.*

8.9.1.17. *Without prejudice to the aforesaid, it is submitted that the related party transactions as contemplated under the provisions of Regulation 2(1)(zc) of the LODR Regulations is where there is transfer of resources in the form of goods and/or services in lieu of a price for the same irrespective of whether the price is charged or not. However, in the present situation, there were no transfer of resources either in the form of goods, services or obligation but was only a temporary movement of funds. It is reiterated that the transactions relating to transfer of resources were duly approved and disclosed by the Company.*

8.9.2. *Advance from Customers:*

8.9.2.1. *With regard to the advance received from Vivekananda International University (hereinafter referred to as "VIU"), for the supply of TMT bars, it is submitted that the trustees of Pradip & Kumkum Ghosh Family Foundation had approached the Company for the supply of the TMT bars in the year 2013. As disclosed by them, the said bars were to be utilized for establishing the infrastructure of a building of a new university to be opened by the Foundation in a joint venture with the renowned Ramkrishna Vivekananda Mission on one of properties owned by them.*

8.9.2.2. *A supply order for Rs. 4,19,00,000/- (Rupees Four Crores Nineteen Lacs only) for supply) of 1,000 MT of TMT bars was awarded to the company by E-mail dated-30/01/2014 and against which an advance of Rs. 1,04,75,000/- (Rupees One Crore1 Four Lacs Seventy Five Thousand Only) amounting to 25% of the*

total transaction value was given towards the same. Against the confirmation of the order, the Company had issued a Proforma Invoice to 'VIU'.....

8.9.2.3. *Subsequently, upon starting of the construction, the company had supplied TMT Bars to the Party. The documents evidencing the supply of materials is attached.....*

8.9.2.4. *Subsequently, due to some internal dispute at the end of the Party, the joint venture was dissolved and the said construction of the university infrastructure was postponed till the decision of the future course of action in regard to the transaction was not taken by the participants. The representatives of the Trust informed the company that some litigation had been initiated by the participants of the joint venture establishing VIU and accordingly the supply of the TMT bars was suspended till the dispute between the parties was decided to that accord. The Trustees were hopeful that they will win the case and the construction of VIU will-be resumed.*

8.9.2.5. *As per the instructions to hold the advance received from the customer the said money was retained till further instructions. It was only in February 2017 that the representative of the Trust directed that the amount retained as advance should be refunded since they were not positive if they would be able to continue with the construction of VIU and there was no point in keeping the funds with the Company. The copy of the said email is attached.*

8.9.2.6. *In light of the aforesaid directions, entire outstanding money was refunded by the Company in various tranches by September, 2017. The details of payment are as under-*

Bank Name	*Date*	*Amount (In Rs.)*	*Remarks*
Canara Bank	*10/03/2017*	*20,00,000*	*Ch. No.-500074*
Canara Bank	*26/04/2017*	*20,00,000*	*Ch. No.-179606*
Canara Bank	*19/05/2017*	*20,00,000*	*Ch. No.-442073*
Canara Bank	*27/06/2017*	*20,00,000*	*RTGS*
Union Bank of India	*12/09/2017*	*14,13,968*	*RTGS*
Round off		*1*	
Total		*93,13,969*	

8.9.2.7. *Till the time the instruction to refund the advance from VIU was not given, the said amount was shown as an advance received from the customers. Immediately, upon the repayment of the advance, the books were updated to that accord and the said advance is no more depicted in the financial statements for the FY. 2017 - 2018. The bank statement evidencing the repayment is attached. The copy of the ledger depicting the transaction with VIU is attached. This shows the true and fair picture of the books of the Company since the actual state of affairs pertaining to the transaction.*

8.9.2.8. *With regard to the to the advance received from Ravi Steels Private Limited (herein after referred to as "Ravi") amounting to Rs, 60,00,000, it is submitted that Ravi was one of the regular clients of the Company intermittently placing orders for finished goods produced by the Company. Ravi has been the customer of the Company since 2013.*

8.9.2.9. *The summary of the previous transactions of Ravi with the Company are enumerated as under:*

Sr. No.	*FY*	*Type of product supplied*	*Quantity of product supplied (MT)*
1	*2013-14*	*Wire Rod*	*204.28*
2	*2014-15*	*TMT Bar/Wire Rod*	*279.14*
3	*2015-16*	*TMT Bar*	*. 20.57*
4	*2016-17*	*TMT Bar*	*21.04*
5	*2017-18*	*TMT Bar*	*59.33*

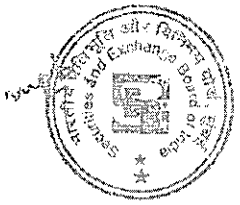
8.9.2.10. *From the aforesaid extract it can be seen that the present transaction was not a single one, out of blue transaction with Ravi to raise any suspicion on the said transaction.*

8.9.2.11. *It is Ravi vide a Purchase order dated 09/04/2015 had directed us to supply 160 MT of TMT bars and in lieu of the said transactions, had made an advance payment of Rs. 60,00,000/- during the period 11/04/2015 to 15/06/2015. The Company had already provided the Purchase Order vide its reply dated-30/12/2017. However the same is reattached.*

8.9.2.12. *Ravi took delivery of the delivery for 21.04 MT of TMT bars amounting to Rs. 7,76,268/- during the FY 2015-2016 and the amount of Rs. 52,23,732/- was lying with the Company as on March 31, 2016 because the balance delivery was on hold and accordingly Rs. 52,23,732/- was shown in advance from customer. The documents evidencing the execution or the order amounting to Rs. 7,76,268/- in FY 2015 - 2016 is attached.*

8.9.2.13. *Please note that the company kept on pursuing Ravi to take delivery of the order for the advance which was lying with the Company and it was mutually decided between both the parties that we will supply the finished goods for balance amount as and when required by them at current market price only.*

8.9.2.14. *Ravi assured that the necessary delivery instructions will be given in due course. Accordingly the balance amount continued to be shown in the advance received from the customer. This was a proper representation of the transaction and no suspicion could be raised from this transaction. Had there been a case that the money so received from a customer was not adequately disclosed in the books of accounts while the order was still pending, there would have been the case of misrepresentation of the financials of the Company*



and not when the advance actually received pending sale was duly shown as advance in the books of accounts.

8.9.2.15. *It is further submitted that the Company continued to show Ravi as the customer from whom the advance was received pending the completion of the order in line with the factual position. It was only subsequently in the present financial year i.e. FY 2018 - 2019 that Ravi took delivery of 88.19 MT of Finished Goods against the advance received from him for total amount of Rs. 39,13,653/- till date and Rs. 13,10,079/- is outstanding as on date. The documents evidencing the execution of the order in FY 2018 - 2019 are attached. The extract of the ledger of Ravi in the books of the Company for the FY 2015-16 and FY 2018-19 evidencing the aforesaid transaction is attached.*

8.9.2.16. *The company was constantly following up with Ravi to take delivery of goods in lieu of the advance received from it. Till the time the said account was not settled the advance received from Ravi continued to be shown in the books of accounts of the Company and the same is reflected in the financial statements of the Company depicting a true and fair picture of the books of the company.*

8.9.2.17. *With regard to both the transaction of advance received from the customers, the observation made in the Order is that the current status with respect to the amount received in the said transactions were not provided to SEBI. In this regard, it is submitted that all the necessary details/documents/explanation as and when sought by SEBI were promptly provided by the Company, had the details of the status of the transaction been sought by SEBI, the same would have been also provided. Accordingly, non-providing of the current status of these transactions should not in any way raise suspicion in the minds of SEBI with regard to the genuineness of the transaction.*

8.9.3. *Advance to Supplier:*

8.9.3.1. *With regard to its transaction of Gagan Ferrotech Limited (hereinafter referred to as "Gagan") with the Company as mentioned in Para 19(c) of the Order, it is submitted that, Gagan was one of the many suppliers of raw material required for the production of finished goods by the Company. The company has business relations with this Gagan since 2011 and have dealt with them regularly for its requirements of raw materials. The summary of year wise transaction with Gagan is captured in the table below*

Sr. No.	*FY*	*Type of product supplied*	*Quantity of product supplied (MT)*
1	*2011-12*	*Billet*	*5,622*
2	*2012-13*	*Billet*	*15,890*
3	*2013-14*	*Billet*	*423*
4	*2014-15*	*Billet*	*15,921*
5	*2015-16*	*Billet/Wire Rod*	*6,875*

6	*2016-17*	*TMT*	*70*
7	*2017-18*	*Wire Rod*	*400*
	Total		*45,201*

8.9.3.2. *From the above, it can be seen that that company has been dealing with Gagan since 2011, and that it was one of the frequent and trusted suppliers of the Company giving billets to the company as per the specifications and at a competitive rate. There were no complaints what so ever by the Company against the rate at which Gagan supplied billets, quality of billets supplied by Gagan, the credit terms as allowed by Gagan. With respect to the transaction in question carried out in the FY 2015 - 2016 it is submitted that the Company had made total purchases to the tune of Rs. 17,61,68,253/- and had issued Letter of Credit to the extent of Rs. 14,19,46,016/- to Gagan, which clearly shows that the Company was continuously dealing with Gagan for the supply of necessary raw materials and the transaction under question was also a part of numerous transactions entered in to by the Company with Gagan in the normal course of business. Copy of ledger for the FY- 2015-16 is enclosed.*

8.9.3.3. *With regard to this transaction, it is submitted that the Company had placed an order for a specific composition of billets from Gagan for its production requirements vide its Purchase order No.- AIL/RM/14-15/0456 dated 30/03/2015. The copy of the said work order was already provided to your goodself vide our letter dated 30/12/2017, however the same is reattached. Since the requirement of the billets was of specific composition, the rates for the said was readily not decided and was decided after much mutual discussion. The letter communication for revalidation of purchase order and before making of the advance payment negotiating the price of the billets are attached.*

8.9.3.4. *It is only after the confirmation from the company on the rate at which the same could be supplied and the time period for execution of the order was specified, the Company made the advance payment to Gagan. Here it is pertinent to note that making of part payment of the total transaction, or in some situations of the full bill amount is an ordinary course of business in the steel industry, especially when the material required is of special category and not of the regular goods. Accordingly, there was nothing out of ordinary, in the company making the advance payment of Rs. 8,27,34,285/- to Gagan.*

8.9.3.5. *With regard to the supply of the specific composition billets by Gagan, it is submitted that even after confirming the order for these billets, Gagan was not able to fulfill the necessary supply within the time and subsequently confirmed that it was not in the position to fulfill the supply order within the decided period. However, upon enquiry of the supply of the billets, Gagan always assured that the same would be supplied to the Company since it was trying to manufacture the same as per the Company's specification. When Gagan was not able to fulfill its contract pertaining to the specific billets for an extended*

period of time, the contract entered in to with Gagan was cancelled. In light of the above 'the advance paid to Gagan was then to be returned by them on an immediate basis upon the cancellation of the contract. Accordingly, upon the intimation received from Gagan of its inability to supply the billets as per the contract, the Company demanded that the advance paid by it to Gagan to be repaid to them, however even after repeated requests Gagan did not repay the money. The Company had tried its best to recover the money from the party by doing regular follow up to the middle as well as top level management of Gagan and at last it was able to recover the same from the party without any loss. After much follow up, the company was able to recovery its money from Gagan. It is submitted that since much difficulty was faced by the Company for the recovery of the amount which was paid in advance by the Company, it would have been more difficult to extract interest on the delay in the repayment of the advance paid to Gagan for the supply of goods and therefore the Company as per its commercial wisdom decided not to pursue further for interest and slow down the business with the Party in future years.

8.9.3.6. *In this regard, it can be seen that, the Company was trying its get the refund of the money paid by it as advance from Gagan and the company was able to recover the entire money due to it without any loss. This shows that the company and all its officials were very prudent to ensure that no loss was caused to the Company due to any bad decisions taken by them*

8.9.3.7. *With regard to the fact that Company had received additional refund from Gagan to the time of Rs. 0.49 crores, it is submitted that the same were erroneously received from Gagan and the said error was subsequently adjusted in future transactions. Here it is pertinent to note that during FY 2016-2017 and FY 2017 - 2018, the Company had purchased raw materials of 70 MT and 400 MT from Gagan respectively.*

8.9.3.8. *With regard to the allegation of allowing Gagan to realize the Letter of credit issued to it was against the other orders and for which the Company had received supplies during the FY 2015-16. It can be seen from the table that during the Company had made purchase of 6,875 MT of Raw materials from the Party out of which 5,621 MT was against the Letter of Credit.*

8.9.3.9. *With regard to the prima facie observation made in the Order that since the Company had made advance to Gagan in the month of March 2016 with respect to purchase order issued to in the month of March 2015 and the said amount was subsequently refunded back by Gagan during the period April 12, 2016 to June 08, 2017 without any interest, the said transaction is raising a prima facie suspicion of misuse of books of accounts / funds by the Company, it is submitted that though there was a delay in getting the refund of the advance paid to the supplier, there was no misuse of funds as the money which was paid to Cagan was received back by the company in due course of time though there was delay.*

8.9.3.10. *Had there been a scenario where, though the funds were paid there was no receipt of goods in lieu of the said funds and the funds were also not received back by the Company, then such type of transaction could have raised suspicion of SEBI. It is submitted that as pointed out hereinbefore we had been continuously dealing with Gagan in numerous transactions and there was nothing amiss in the dealings of Gagan which could raise our suspicion about any wrong doing. It was for this reason that we trusted Gagan by giving it an advance. It is submitted that the Company has been dealing with Gagan prior to 2011 and will continue to deal with Gagan since the rates of goods given by Gagan are competitive to the Company.*

8.9.3.11. *It is submitted that there is true and fair disclosure of the transactions in the books of accounts of the Company and the same can be seen from the fact that your goodself have not levied the allegation of misrepresentation of the books of accounts with regard to this transaction.*

8.9.3.12. *Here it is imperative to note that no specific charge has been made out against the Company therefore, it cannot be called upon to answer the vague charges which has been alleged in the Order. The Company also submits that no regulations have been alleged to have violated while levying the allegation of mis-utilization of the funds of the Company.*

8.9.3.13. *It also becomes necessary to point out that the decisions of selection of the supplier of raw material, the rates of the transactions, the various terms of the payment are normal business transactions, left to the wisdom of those conducting business and SEBI should not question the acumen of such business organization who has created wealth not only for itself but for all of its shareholders and will continue to do so. In this regard, the extract of various case laws are submitted.....*

8.9.3.14. *Hence, in the light of the above case laws cited, it is humbly submitted to your goodself to not draw any adverse inference from the fact that we had given advance to Gagan for a contract which did not got executed within the same financial year.*

8.9.3.15. *A single Purchase Order of Rs. 10.83 Crores which is amounting to 2.73 % of our total raw material purchase during the FY 2014-15 is too insignificant to order a complete forensic audit of the Company. This decision questions the working of the Company in its entirety and has already had a huge impact on the reputation of the Company and raises unnecessary suspicion in the minds of its various stakeholders.*

8.9.3.16. *Here is imperative to bring to the light of your goodself that the details / documents / explanations sought by your goodself were specifically provided to your goodself promptly, had the details / documents / explanations with regard to the observations made in order pertaining to the transactions been sought from the Company the same would have also been provide by us and there would not have any suspicion which could have led to such harsh order being made against the Company.*

8.9.3.17. *It is most respectfully submitted that the statement in the order that "the prima facie observations contained in this order are made on the basis of prima facie material available on record" is in itself erroneous as the present proceedings were enquiry proceedings which were conducted by your goodself on the basis prima facie apprehensions made by your goodself in lieu of the letter of SFIO. It is humbly submitted that even after a period of one year of enquiry proceedings, the observation made by your goodself cannot be said to be prima facie suspicion again. This is gross injustice and prejudicial to our interest and the interest of our thousands of stakeholders.*

8.9.3.18. *It is submitted that in view of the submissions made and the precedents cited, the directions passed by your goodself should be disposed off. An irreparable reputational harm has been caused to us due to the prima facie suspicions made by your goodself which have been passed without any evidence and merely on the surmises and conjectures.*

8.9.3.19. *Further while levying the allegation, your goodself have non pointed out as to how the allegedly tainted transactions have in any way impacted the investors of the company since these transaction have been carried out in the ordinary course of business and true and fair representation of the said transactions have been made in the books of accounts of the Company.*

8.9.3.20. *Your goodself has failed to appreciate that we are a steel manufacturing company of national repute and large number of public investors are invested in our company. Passing an order of conducting forensic audit of our company has seriously damaged our reputation and has gone against the interest of our shareholders. We have enjoyed an impeccable reputation in the society and till date there has not been a single averment against us for any regulatory infractions leaving aside any adverse action against us. Your goodself has failed to appreciate that an interim order can also affect the reputation of the person against whom it is issued and sometimes it may be difficult to undo the damage caused by an interim order. The impact of such an adverse finding is wide especially in the case of a large public company having large number of investors. The stigma sticks and it also hurts, not the company alone, but its shareholders as well.*

....."

Hearing:

9. In the interest of natural justice, SEBI vide communication dated November 26, 2018 granted AIL an opportunity of personal hearing on December 27, 2018 at Head Office, Mumbai. Authorized Representative of AIL vide email dated December 22, 2018 and letter dated

December 24, 2018 requested for adjournment of hearing due to non- availability of senior counsel.

10. In the interest of natural justice, SEBI vide communication dated December 26, 2018 had rescheduled the hearing to January 29, 2019 at Head Office, Mumbai. On January 29, 2019, Mr. Vikram Nankani (Senior Advocate), Mr. Aditya Bhansali, Ms. Nirali Mehta (Practicing Company Secretary), Mr. Ajay Bhuwania (GM – Finance & Accounts), Mr. Bharat Agarwal (Company Secretary), Mr. Dhruv Sharma and Ms. Rakshita Poddar (Advocate), Authorized Representatives (hereinafter referred to as **"ARs"**) on behalf of AIL had appeared for hearing and made oral submissions which are as under:

"……

(a) ARs reiterate the submission made by AIL dated October 22, 2018.

(b) AIL had already stopped the related party transactions. For allegation of related party transaction, AIL is advised to submit the Excise duty and GST challans/receipt.

(c) With respect to the advance from customer, it is submitted that Vivekananda International University was proposed to step-up in West Bengal. For the construction of the university, AIL had received an advance of Rs. 1.39 crore from Vivekananda International University. Thereafter, Vivekananda International University has got into a dispute with government of West Bengal on the ground that a private university cannot use royalty and the name "Vivekananda". Later on the projects was cancelled, AIL could have forfeit the contracts as Vivekananda International University have defaulted to perform the contracts, but considering the good relationship with clients, AIL had returned the money over a period of time between March 2017 to September 2017. AIL is advised to submit the bank statement to support their claim alongwith highlighting the entries and also submit Excise duty and GST challans/receipt.

(d) With respect to Ravi Steel, AIL had received an advance of Rs. 60 lakhs for supply of 160 metric tons, AIL had supplied 21 metric tons in 2015-16 i.e. sales of approximately Rs. 7.76 lakhs and balance amount of Rs. 52 lakhs was lying with AIL. AIL had first transacted with Ravi Steel in the year 2013 and thereafter continuously has the transactions with Ravi steel till 2018. So the transaction with Ravi Steel is not a one-of transaction but a long standing relationship with Ravi Steel. All the transactions between Ravi Steel and AIL has been cleared. AIL is advised to submit the bank statement to support their claim alongwith highlighting the entries and also to submit Excise duty and GST challans/receipt.

(e) *With respect to the advance given by AIL to Gagan Ferrotech, the relationship with Gagan Ferrotech is historical relationship and not a one-of relationship. AIL have been buying goods from Gagan Ferrotech regularly. In 2015-16, AIL had placed a purchase order to buy 3,500 metric tons of goods of specific compositions and for which this amount of credit is lying in their books of account. In the year 2015-16, there was a total purchase transaction of Rs. 17.61 crores from Gagan Ferrotech, out of which Rs. 14.19 crores was against the Letter of Credit (LC). Since, Gagan Ferrotech was not able to supply the goods of that specific composition, AIL had received the amount from Gagan Ferrotech between April 2016 to June 2017. Fruther, the transaction with Gagan Ferrotech is not a paper transaction or accommodation entries, it is genuine transactions/normal trading transactions and Gagan Ferrotech is an actual supplier. In this regard, AIL is advised to submit Excise duty and GST challans/receipt.*

(f) *It is submitted that since the August 2017, when this investigation was started, the share price of the company has eroded from Rs. 85 to Rs. 40. It is further submitted that forensic audit is not required in the matter and will not serve any purpose because whatever fact finding is required, the same has already been done by the SEBI and finds out only three transaction, which is very miniscule as compared to the their total sale and purchase transactions. If the submission is not accepted and without prejudice to the earlier submissions, it is requested that the forensic audit should be close ended i.e. restricted to the aforesaid three transactions only and should not be left open ended, as has been done by the SEBI in the case of Parsvnath developers Limited and J Kumar Infraprojects Limited*

....."

11. Subsequent to the hearing, in addition to the documents/information sought during hearing held on January 29, 2019, SEBI vide email dated February 06, 2019 had advised AIL to submit its reply on following queries:

11.1. *In your reply dated October 22, 2018, a table has been provided at para 33 on page no. 19. In the said table, the total mentioned is INR 93,13,969/-, while the calculation indicates the total to be INR 94,13,969/-. You are advised to provide your comment on the same.*

11.2. *In your reply dated October 22, 2018, at para 29 on page no. 18, it is mentioned that the advance of INR 1,04,75,000/- was received from Vivekananda International University ("VIU"). However, as per annexure G i.e. ledger account of VIU, there are two entries of INR 1,04,75,000/- dated February 07, 2014 and INR 34,77,700/- dated*

February 08, 2014 on the credit side totaling to INR 1,39,52,700/-. You are advised to provide your comments on the same.

11.3. *It is observed that in the bank statements furnished vide letter dated October 22, 2018 at annexure F with respect to highlighted entries for VIU, details such as the name of the account holder, bank account no. etc are not mentioned. You are advised to furnish proper bank statements highlighting all such entries with respect to VIU.*

12. Further, as requested by AIL vide reply dated October 22, 2018 and during the course of hearing, SEBI vide email dated February 06, 2019 had provided to AIL, the copy of letter from SFIO dated May 23, 2017 which was enclosed by MCA in its letter dated June 09, 2017.

13. AIL vide letter dated February 14, 2019 had submitted its reply to the queries sought by SEBI vide email dated February 06, 2019 in the matter which are *inter alia* as under:

13.1. *With regard to the first query, it is submitted that the same was a typographical error only in the table of Point No. 33 of the Reply. However, correct records had been shared for Bank statement in Annexure-F of the reply dated October 22, 2018. The Company has made payment amounting to Rs. 94,13,969/- to the Client and the same can be seen from the extract of the bank statements and the bank certificates evidencing the repayments so attached.....*

13.2. *With regard to the second query, it is submitted that as per the agreement among the parties, VIU had to pay an amount of Rs. 1,04,75,000/-(Rupees One Crore Four Lakhs Seventy Five Thousand Only) amounting to 25% of the total transaction value was given towards the advance for the order and at the same time make payments -pertaining to the goods so supplied by the Company. It was agreed upon that the advance so paid by VIU will be adjusted against the supply of goods at the end of the entire transaction amounting to Rs. 4,19,00,000/- (Rupees Four Crores Nineteen Lakhs only).*

13.3. *This agreement was arrived at after various rounds of communication with the concerned person of VIU. The copies of the said email communications are attached.*

13.4. *It is further submitted that upon perusal of the ledger of VIU in the books of the Company, it can be seen that, the Company had supplied goods amounting to a total value of Rs. 65,84,731.41/-(Rupees Sixty Five Lakhs Eighty Four Thousand Seven Hundred and Thirty One, Paise Forty One Only) whereas the payment other than the advance of Rs. 1,04,75,000/- (Rupees One Crore Four Lakhs Seventy Five Thousand Only) was Rs. 55,23,700/- (Rupees Fifty Five Lakhs Twenty Three Thousand Seven Hundred Only). This lead to as difference in the payment received and the goods supplied amounting to Rs. 10,61,031.41/- (Rupees Ten Lakhs sixty One thousand and Thirty One, Paise Forty One Only). This difference in the payment was adjusted from*

the advance so received from VIU while refunding the advance to VIU. The same can be seen from the ledger of VIU in the Books of the Company. The certified copy of the ledger of VIU is attached.

13.5. *With regard to the specific receipt of Rs. 34,77,700/- (Rupees Thirty Four Lakhs Seventy Seven thousand Seven Hundred Only), it is submitted that, upon the perusal of the ledger of VIU in the books of the Company, it can be seen that, the Company has supplied goods amounting to Rs. 21,69,354/-(Rupees Twenty One Lakhs Sixty Nine Thousand Three Hundred and Fifty Four Only) apart from the Purchase Order that was given by VIU on January 30, 2014. Against the supply of the said goods the VIU has made payments of Rs. 20,46,000/-(Rupees Twenty Lakhs Forty Six Thousand Only). These transactions lead to a difference of Rs. 1,23,354/-(Rupees One Lakh Twenty Three Thousand Three Hundred and Fifty Four only). Subsequent to these transactions, as per the agreement between the parties relating to the terms of payment for Purchase Order dated January 30, 2014, VIU had made payment of advance of Rs. 1,04,75,000/- (Rupees One Crore Four Lakhs Seventy Five Thousand Only) (25% of the total transaction value). Further as per the agreement it was decided that the aforesaid advance was be adjusted against the goods supplied at the end of the transaction so contemplated under the Purchase Order and that VIU to make payments for the goods so required to it as and when order. Subsequently VIU placed an order for Rs. 44,15,377.82 (Rupees Forty for Lakhs Fifteen Thousand Three Hundred and Seventy Seven, Paise Eighty Two Only) and for the said transaction made further advance payment of Rs. 34,77,700/- (Rupees Thirty Four Lakhs Seventy Seven thousand Seven Hundred Only). The difference in the advance received and goods supplied is of Rs. 9,37,677.82/- (Rupees Nine Lakhs Thirty Seven Thousand Six Hundred and Seventy Seven, Paise Eighty Two Only) The value of goods which remain unpaid being Rs. 10,61,031.41/-(Rupees Ten Lakhs sixty One thousand and Thirty One, Parse Forty One Only) was adjusted at the time of refund of the advance of 25% of the project value.*

13.6. *With regard to the third query, seeking the details of the account holder, bank account no. etc. pertaining to whose account, the repayment of VIU was made, it is submitted that, since the same were not available in the bank statement, the Company has procured a certificate from the paying banks containing the necessary details and the same have been attached.*

14. AIL vide letter dated February 14, 2019 had submitted additional written submissions in the matter which are *inter alia* as under:

"....

14.1. *COPY OF THE LETTER OF SFIO DATED MAY 23, 2017 AND MCA LETTER DATED JUNE 09, 2017*

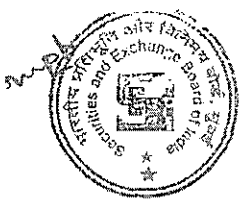
14.1.1. *.....In this regard, it is submitted that though the copy of the said letter have been provided to the Company, upon perusal of the said letter, it is noticed that it does not*

contain as to why the company was termed as the alleged shell company and what prompted the present investigation. Therefore even after the receipt of the said letters, the Company is impaired to comment on the same. The letter except for forwarding the name of the Company does not give any details about any wrongdoings by the Company. The initiation of inquiry based on this list was just shooting an arrow in the dark. The same is not permissible in law.

14.2. *TOTAL SALES AND PURCHASE OF THE COMPANY DURING THE FINANCIAL YEAR 2015 - 2016*

14.2.1. *During the course of the hearing, your goodself had asked the Company to provide copies of the third party documents evidencing the sales and purchase so transacted by the Company during the financial year 2015 - 2016. In this regard, it is submitted that for the sale so done by the Company, it had charged excise duty on goods sent from its factory premises to the customer and accordingly had filed monthly returns as per the provision of the Central Excise Act. Also, the Company received input credit of the excise duty i.e. CENVAT for the goods so purchased by it. The input so received by the Company were also shown in the monthly excise return so filed by the Company. Hereto marked & and attached are copies of all the monthly excise return so filed by the Company during the FY 2015-16 along with the payment challan for payments made through PLA. The extract of the monthly excise return filed by the Company evidencing the sale and purchase of goods by the Company during the financial year 2015 - 2016 as depicted in Annual report of the Company is tabulated herewith for your ready reference:*

Month	Excise Duty on Sales recorded as per excise return		Input Tax Credit on Purchases recorded as per excise return		Liability for Excise Duty (In Rs.)	Total Input Credit Utilized (In Rs.)	Payment Made Through PLA (In Rs.)
	Quantity (MT)	Excise Duty (In Rs.)	Quantity (MT)	Excise Duty (In Rs.)			
April, 2015	6,458.44	2,61,37,743	9,337.06	3,28,17,627	2,61,37,743	2,51,37,743	10,00,000
May, 2015	8,244.93	3,17,31,481	6,824.85	2,25,32,896	3,17,31,481	3,02,56,481	14,75,000
June, 2015	18,881.27	6,53,28,255	12,737.12	4,03,64,170	6,53,28,255	6,38,53,255	14,75,000
July, 2015	18,202.90	6,36,91,173	9,602.31	2,95,79,264	6,36,91,173	6,20,01,173	16,90,000
Aug, 2015	14,772.43	4,90,33,162	7,803.60	2,18,94,477	4,90,33,162	4,73,78,162	16,55,000
Sep, 2015	9,122.81	2,79,09,922	7,431.08	2,19,20,716	2,79,09,922	2,50,59,922	28,50,000
Oct, 2015	9,074.06	2,46,71,404	9,291.15	2,54,39,468	2,46,71,404	2,20,76,404	25,95,000
Nov, 2015	13,247.06	4,18,69,297	12,109.34	3,13,87,036	4,18,60,297	3,91,34,297	27,35,000
Dec, 2015	13,325.52	3,99,49,761	12,480.38	2,96,40,367	3,99,49,761	3,71,49,761	28,00,000
Jan, 2016	8,633.87	2,72,74,808	11,403.47	2,98,77,006	2,72,71,808	2,46,94,808	25,80,000
Feb, 2016	5,928.73	1,96,21,446	11,532.48	2,96,77,965	1,96,21,446	1,67,21,446	29,00,000
Mar, 2016	8,151.21	2,51,92,072	22,007.07	5,78,45,348	2,51,92,072	2,17,32,072	34,60,000
Total	1,34,043.23	44,24,10,524	1,32,559.91	37,29,76,340	44,24,10,524	41,51,95,524	2,72,15,000



14.2.2. *The Company further submits a certificate from an independent Chartered Accountant certifying the sales and purchases during the financial year 2015 - 2016.*

14.3. *RELATED PARTY TRANSACTIONS WITH ADHUNIK COPRORATION LIMITED*

14.4. *With regard to the alleged related party transactions amounting to more than Rs. 400 Crores with Adhunik Corporation Limited (hereinafter referred to as "ACL"), it is reiterated that the alleged transactions are not covered under the definition of the related party transactions as per the provisions of the Regulation 2(1)(zc) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (hereinafter referred to as the "LODR Regulations") since there is no transfer of ownership of the funds, it was just a temporary movement of funds which was returned to ACL, there was no transfer of resources, service or obligation and furthermore there was no consideration paid for the said temporary cyclic transfer of funds. Accordingly since the present transaction does not fall within the purview of the related party transactions as per the provisions of the Regulation 2(1)(zc) of the LODR Regulations, no approval was required to be taken and no disclosures were required to be made under the provisions of the Regulation 23 of the LODR Regulations.*

14.4.1. *Here the Company would also like to being to your goodself notice that the said related party transaction had a huge benefit to the Company and its shareholders since the burden of interest cost was reduced significantly and the funds were available as per the requirements of the Company. The company saved more than Rs. 2 Crores in interest cost since the funds were made available to the Company by ACL interest free. This interest amount mentioned hereinabove is the interest which the Company would have paid, had the Company made any temporary arrangements from any banks, financial institutions or any third party.*

14.4.2. *Here it is reiterated that the decision of the company to take funds on demand and interest free from ACL has in fact benefited the shareholders of the company. Had the company had to make temporary arrangements from third party to fund its requirements, the Company would have been charged heavy interest and the said interest burden would in turn decrease the profitability of the Company. The reduced profitability due to third party loans would in fact the affect the interest of the small shareholders.*

14.4.3. *The Company further submits that the provisions of the LODR Regulations were notified only on September 02, 2015 and came in to force only on the ninetieth day after the date of publication in the Official Gazette. Accordingly, the provisions of the related party and the related party transactions as defined in the LODR Regulations and the provisions of approval and disclosures of the said transactions under LODR Regulations were not applicable to the company for the first half year for the financial year 2015 - 2016. Here it is pertinent to note that the Company has taken all the necessary approvals for the related party transactions as per the provisions of the*

then applicable Section 188 of the Companies Act, 2013 and the rules made there under. No allegations to that accord have been levied against the Company for non-compliance of the Section 188 of the Companies Act, 2013.

14.4.4. *Without prejudice to the aforesaid, it is submitted that since the LODR Regulations came in to force during the year, the company was not clear about all its provisions and therefore it took time to understand and apply all the provisions. Even if the Company was able to take a prior approval of the shareholders, it could not have done so since the transactions had already began and the provisions of LODR Regulations came in to effect only in the middle of the year.*

14.4.5. *As per the approval so taken for the related party transactions of sale and purchase of goods with its related party, ACL, the Company has executed its transactions with ACL within the said approved limits for the financial year 2015-2016. Please note that the seller issues Tax Invoice cum Excise Challan in favor of the Purchaser for the goods so sold by it. The copy of the Tax Invoice cum Excise Challan so raised by Company for the sale of Misroll and Coal to ACL is attached. The copy of the Tax Invoice cum Excise Challan issued by ACL for the sale of goods to the Company is attached. Here it is pertinent to note that the aforementioned documents were made available to your goodself vide our letter dated September 25, 2017. The total sale and purchase transactions carried out with ACL against the limits for the related party transaction with ACL so approved is tabulated herewith for your ready reference:*

Transaction Type	*Approval Limit (Rs.)*	*Actual Transaction (Rs.)*
Sales	*12,00,00,000*	*10,34,20,647*
Purchase	*20,00,00,000*	*16,29,81,859*
Total	*32,00,00,000*	*26,64,02,506*

14.4.6. *It is further submitted that the transactions of purchase of billets and the sale of Misrolls and coal with ACL can be verified from the excise return filed by the Company monthly for the financial year 2015 - 2016. Here the company submits that since the transactions with ACL were conducted almost the entire financial year 2015 -2016, the copies of the monthly excise returns evidencing the transactions are not separately provided as the copies of the same for all the 12 months of the year have been provide to your goodself hereinabove. The extract of the transactions with ACL from the monthly return so filed by the Company is tabulated herewith for your ready reference:*

Sale to ACL

Sl.No.	*Month*	*Item Name*	*Quantity (MT)*	*Basic (Rs.)*	*Excise Duty (Rs.)*	*VAT (Rs.)*	*Total (Rs.)*
1	*Apr-15*	*MISROLL & END CUTTING*	*360.04*	*90,01,000*	*11,25,127*	*5,06,306*	*1,06,32,433*
2	*May-15*	*MISROLL & END CUTTING*	*256.99*	*59,45,790*	*7,43,230*	*3,34,451*	*70,23,471*
3	*Jun-15*	*MISROLL & END CUTTING*	*22.11*	*5,08,530*	*63,566*	*28,605*	*6,00,701*
4	*Jul-15*	*MISROLL & END CUTTING*	*12.64*	*2,90,720*	*36,340*	*16,353*	*3,43,413*
5	*Sep-15*	*COAL*	*1,137.88*	*56,22,265*	*3,47,458*	*2,98,486*	*62,68,209*
		MISROLL & END CUTTING	*10.03*	*2,00,600*	*25,075*	*11,284*	*2,36,959*
6	*Oct-15*	*COAL*	*1,743.97*	*86,16,956*	*5,32,528*	*4,57,474*	*96,06,958*
		MISROLL & END CUTTING	*459.84*	*91,96,800*	*11,49,600*	*5,17,320*	*1,08,63,720*
7	*Nov-15*	*MISROLL & END CUTTING*	*590.27*	*1,17,21,880*	*14,65,235*	*6,59,356*	*1,38,46,471*
8	*Dec-15*	*MISROLL & END CUTTING*	*551.54*	*1,04,79,260*	*13,09,917*	*5,89,459*	*1,23,78,636*
9	*Jan-16*	*MISROLL & END CUTTING*	*548.93*	*1,04,29,670*	*13,03,717*	*5,86,669*	*1,23,20,056*
10	*Feb-16*	*MISROLL & END CUTTING*	*240.43*	*45,68,170*	*5,71,027*	*2,56,960*	*53,96,156*
11	*Mar-16*	*MISROLL & END CUTTING*	*619.48*	*1,17,70,120*	*14,71,274*	*6,62,070*	*1,39,03,464*
		Total	***6,554.15***	***8,83,51,761***	***1,01,44,094***	***49,24,793***	***10,34,20,647***

Purchase from ACI.

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	Excise Duty (Rs.)	VAT (Rs.)	Total (Rs.)
1	Oct-15	BILLET	22.22	5,11,060	63,883	28,747	6,03,690
2	Nov-15	BILLET	1,079.21	2,37,42,623	29,67,828	13,35,522	2,80,45,973
3	Dec-15	BILLET	1,457.96	2,77,01,243	34,62,665	15,58,195	3,27,22,093
4	Mar-16	BILLET	4,000.89	8,60,19,134	1,07,52,392	48,38,576	10,16,10,103
		Total	**6,560.28**	**13,79,74,061**	**1,72,46,757**	**77,61,041**	**16,29,81,859**

14.5. *TRANSACTION WITH VIVEKANAND INTERNATIONALUNIVERSITY LIMITED*

14.5.1. *The Company was approached by the trustees of Pradip & Kumkum Ghosh Family Trust for the supply of TMT bars for establishing the infrastructure of a building of a new university to be opened by the Foundation in a joint venture with the renowned Ramkrishna Vivekananda Mission on one of properties owned by them in the name and style of Vivekananda International University (hereinafter referred to as "VIU").*

14.5.2. *A supply order for Rs. 4,19,00,000/- (Rupees Four Crores Nineteen Lakhs only) for supply of 1,000 MT of TMT bars was awarded to the company by E-mail dated January 30, 2014 and against which an advance of Rs. 1,04,75,000/- (Rupees One Crore Four Lakhs Seventy Five Thousand Only) amounting to 25% of the total transaction value was given towards the same. The extract of the bank statements evidencing the receipt of the aforesaid advance by the Company is attached.*

14.5.3. *The Company had supplied goods amounting to Rs. 65,84,731.41/- for the aforesaid project. The copy of the Tax Invoice cum Excise Challan so raised by Company for the sale of goods is attached. The excise duty was duly charged by the Company for the supply of goods for the project. The excise return showing the payment of the excise duty so collected is attached. The extract of the transactions with VIU from the monthly return so filed by the Company is tabulated herewith for your ready reference:*

Sl.No.	*Month*	*Item Name*	*Quantity (In MT)*	*Basic (Rs.)*	*Excise Duty (Rs.)*	*Cess (Rs.)*	*HE Cess (Rs.)*	*VAT (Rs.)*	*Total (Rs.)*
1	*Jan-14*	*TMT BAR*	*30.51*	*10,54,560*	*1,24,109*	*2,482*	*1,241*	*59,120*	*12,41,511*
2	*Feb-14*	*TMT BAR*	*128.01*	*45,38,374*	*5,34,375*	*10,688*	*5,344*	*2,54,439*	*53,43,220*
		Total	***158.52***	***55,92,934***	***6,58,484***	***13,170***	***6,585***	***3,13,559***	***65,84,731***

14.5.4. *Subsequently, due to some internal dispute at the end of the Party, the joint venture was dissolved and the said construction of the university infrastructure was postponed till the decision of the future course of action in regard to the transaction was not taken by the participants. In light of the aforesaid decision, the Company was asked to retain the advance given till the time the projects restarts.*

14.5.5. *It was only in February 2017 that the representative of the Trust directed that the amount retained as advance should be refunded since they were not positive if they would be able to continue with the construction of VIU and there was no point in keeping the funds with the Company. In light of the aforesaid directions, entire outstanding money was refunded by the Company in various tranches by September, 2017. The details of payment are as under:*

Bank Name	Date	Amount (In Rs.)	Remarks
Canara Bank	10/03/2017	20,00,000	RTGS (Ch. No.- 500074)
Canara Bank	26/04/2017	20,00,000	RTGS (Ch. No.- 179606)
Canara Bank	19/05/2017	20,00,000	RTGS (Ch. No.- 442073)
Canara Bank	27/06/2017	20,00,000	RTGS
Union of India	12/09/2017	14,13,968	RTGS
Round off		1	
Total		**94,13,969**	

14.5.6. *The extract of the bank statements evidencing the aforementioned payments by the Company is attached.*

14.5.7. *The certificate issued by the concerned banks from which the repayment of the advance so received by the Company was made is attached.*

14.5.8. *Here the Company would also like to bring to your goodself's notice that since the advance amount so received from VIU was lying with the company without supply of goods, there was neither any mis-utilization of the funds of the investor or was there any harm caused to the interest of the shareholders.*

14.5.9. *Here the company would like to also submit that the decision to retain the advance in the present case or any other similar decision is a purely commercial decision of the Company and SEBI should not sit in judgment over the commercial wisdom of the Company. SEBI should not question the normal business transactions and the same should be left to the wisdom of those conducting business. SEBI should not question the acumen of such business organization who has created wealth not only for itself but for all of its shareholders and will continue to do so.*

14.6. *TRANSACTION WITH RAVI STEELS PRIVATE LIMITED*

14.6.1. *With regard to the to the advance received from Ravi Steels Private Limited (herein after referred to as "Ravi") amounting to Rs. 60,00,000, it is submitted that Ravi was one of the regular clients of the Company intermittently placing orders for finished goods produced by the Company. Ravi has been the customer of the Company since 2013.*

Ravi took delivery of the delivery for 21.04 MT ref TMT bars amounting to Rs. 7,76,268/- (Rupees Seven Lakhs Seventy Six thousand Two Hundred and Sixty Eight Only) during the FY 2015-2016 and the amount of Rs. 52,23,732/-(Rupees Fifty Two Lakhs Twenty Three Thousand Seven Hundred and Thirty Two Only) was lying with the Company as on March 31, 2016. The copy of the Tax Invoice cum Excise Challan so raised by Company for the sale of goods in financial year 2015 - 2016 is attached. The excise return showing the payment of the excise duty so collected is attached. The extract of the transactions with Ravi from the monthly return so filed by the Company is tabulated herewith for your ready reference:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	Excise Duty (Rs.)	CST (Rs.)	Total (Rs.)
1	Apr-15	TMT BAR	20.57	6,76,486	84,561	15,221	7,76,268
		Total	**20.57**	**6,76,486**	**84,561**	**15,221**	7,76,268

14.6.2. *During the current financial year i.e. FY 2018-19, Ravi took delivery of Rs. 54,51,854/-(Rupees Fifty Four Lakhs Fifty one Thousand Fight Hundred and Fifty Four) against the advance available with the Company of Rs. 52,23,732.29/-(Rupees Fifty Two Lakhs Twenty Three Thousand Seven Hundred and Thirty Two Only and Paise Twenty Nine). The payment for the additional goods so supplied amounting to Rs. 2,28,122/- (Rupees Two Lakhs Twenty Eight Thousand One Hundred and Twenty Two Only) was made by Ravi on October 29, 2018. The copy of the Tax Invoice cum GST Challan so raised by Company for the sale of goods in financial year 2018 - 2019 is attached. The GST return showing the payment of the GST so charged is attached. The certified copy of the ledger of Ravi for the financial year 2018 - 2019 is attached. The certified copy of the ledger of the Company for the financial year 2018 2019 in the books of accounts of Ravi is attached.*

The extract of the transactions with Ravi from the monthly return so filed by the Company is tabulated herewith for your ready reference:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	IGST (Rs.)	Total (Rs.)
1	Jul-18	TMT BAR	30.02	10,95,518	1,97,193	12,92,711
2	Aug-18	TMT BAR	29.31	10,66,737	1,92,013	12,58,750
3	Oct-18	WIRE ROD	60.81	24,57,960	4,42,433	29,00,393
		Total	**120.14**	**46,20,215**	**8,31,639**	**54,51,854**

14.7. *TRANSACTON WITH GAGAN FERROTECH LIMITED*

14.7.1. *The Company had given an order for certain specification to Gagan Ferrotech Limited (hereinafter referred to as "Gagan") on March 20, 2015 and the same was confirmed on March 30, 2016. In light of the aforesaid transactions, the company had made an advance payment of Rs. 8,27,34,285/- (Rupees Eight Crores, Twenty Seven Lakhs Thirty Four Thousand Two Hundred and Eighty Five only) to Gagan.*

14.7.2. *After continuous follow ups with Gagan, the Company was able to recover its money from it, however, it had received an additional payment of Rs. 0.49 Crores. The excess, so received was repaid/ adjusted against future transactions with the Company. The extract of the bank statement showing the repayment of monies by Gagan is attached.*

14.7.3. *The company had purchased 6,875 MT of raw materials from Gagan during the FY 2015-16. The copy of the Tax Invoice cum Excise Challan so raised by Gagan for the sale of goods is attached. The copy of the Excise return so filed by the Company taking*

the input credit for the goods so purchase from Gagan is attached. The extract of the transactions with Gagan from the return so filed by the Company is tabulated herewith for your ready reference:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	Excise Duty (Rs.)	CST (Rs.)	Total (Rs.)
1	May-15	BILLET RM	1,150.13	3,01,33,407	37,66,676	16,95,004	3,55,95,087
2	Oct-15	BILLET RM	371.94	83,31,456	10,41,432	4,68,644	98,41,532
3	Nov-15	BILLET RM	628.65	1,40,81,759	17,60,220	7,92,099	1,66,34,078
4	Jan-16	Wire Rod (RM)	639.09	1,52,46,705	19,05,838	8,57,627	1,80,10,170
5	Feb-16	BILLET RM	2,511.03	4,92,21,157	61,52,644	27,68,690	5,81,42,491
		Wire Rod (RM)	254.9	57,35,252	7,16,906	3,22,608	67,74,766
6	Mar-16	BILLET RM	1,319.37	2,63,87,413	32,98,425	14,84,291	3,11,70,129
		Total	**6,875.11**	**14,91,37,148**	**1,86,42,141**	**83,88,964**	**17,61,68,253**

Consideration and Findings:

15. In light of the observations of the interim order and submission made by AIL, the following issue arises for consideration:

Issue: ***Whether in light of the facts and circumstances of the case, the findings of the interim order and the submissions of the company in response thereto, the directions issued in the Interim Order need to be continued, revoked or modified in any manner?***

16. ***Preliminary objections:*** Before moving forward in the matter, I first discuss preliminary objections raised by AIL:

16.1. ***First Contention:***

16.1.1. AIL submitted that the directions of verifying the credentials and conducting forensic audit, if required, were given to the exchanges considering the fact that the exchange is the first level of the regulator who regulates a listed company under LODR Regulations, and the duty is casted upon it to primarily regulate a listed company. The exchanges upon making inquiries with AIL and based on the

representation given by the Company, was clear that there was no violation of the 5 clauses of LODR Regulations and the fact has been duly recorded in the interim order at paragraph 16.

16.1.2. In this regard, I note that NSE submitted that as per the compliance record and other details submitted by the company as per SEBI prescribed format, AIL had complied with five clauses of LODR Regulations. I am of the view that the same has been concluded on the basis of the requirement of mere filings to be made by the Company. However, it is also essential to analyze the contents and representations made in the filings to arrive at prima facie findings of any misrepresentation therein. Further, I am also of the view, SEBI has been vested with power of enquiry and SEBI cannot be deprived of exercising such power of enquiry merely on the ground that stock exchanges have been directed to verify the credentials and other things as mentioned in para 1 (c) and 1 (d) of the letter dated August 07, 2017.

16.2. ***Second Contention:***

16.2.1. AIL submitted that the observations in the interim order cannot be prima facie findings as they have been passed after enquiry after considering all the documents / material / information submitted by AIL.

16.2.2. In this regard, I note that the said contention of AIL is based on the presumption that the enquiry in the present matter is complete. However, the enquiry in the present matter is pending and the same has been already recorded in paragraph 24 of the interim order dated September 21, 2018. Further, paragraph 23 of the interim order dated September 21, 2018 records that detailed examination / forensic audit needs to be undertaken to unearth the entire extent of violations. Therefore, it is clear that the entire fact finding is not complete and the interim order dated September 21, 2018 was passed based on the documents available with SEBI at the stage pending full enquiry. Therefore, the contention of AIL that the observations in the interim order cannot be prima facie findings as they have been passed after enquiry after

considering all the documents / material / information submitted by AIL is not tenable.

16.3. ***Third Contention: Roving Enquiry***

16.3.1. AIL submitted that the enquiry against AIL have been carried out in a prejudiced manner with a goal to implicate it in some or the other way through roving and fishing enquiry. SEBI is not expected to make roving and fishing enquiry just to implicate the company on the basis of the pre drawn conclusion and surmises and conjunctures.

16.3.2. In this regard, it is observed that information from a Government Agency categorizing a company as a Shell Company was a trigger for SEBI that these companies may possibly have misrepresented their financials or misused their books of accounts and thereby may have violated the securities laws. Thus, based on such trigger (i.e. MCA letter dated June 09, 2017), SEBI in its administrative capacity, vide letter dated August 07, 2017 had taken certain pre-emptive surveillance measures in respect of certain listed companies including AIL. Based on SEBI's independent enquiry emerging out of AIL's replies dated September 05, 2017, September 20, 2017 and September 25, 2017, AIL's Annual Report for Financial Year (FY) 2015-16 and 2016-17, SEBI passed an Interim Order dated September 21, 2018. Therefore, I am of the view that SEBI's enquiry against AIL is not a roving and fishing enquiry but rather a specific enquiry to determine whether or not there has been a violation of LODR Regulations on account of misrepresentation of financials or misuse of books of accounts etc. Detailed enquiry has been undertaken precisely because there is no pre drawn conclusion and surmises and conjunctures. Hence, I do not find any merit in the said contention of AIL.

16.4. ***Fourth Contention: Onus to prove the allegation***

16.4.1. AIL submitted that the interim order has not provided any reasons as to why the transaction entered in to by the Company are allegedly or carried out with an intention to misuse the funds or to mis-represent the books of accounts of the Company.

16.4.2. In this regard, I am of the view that in the quasi-judicial proceedings before SEBI, it is not necessary that intention has to be proved. The standard of proof is preponderance of probability and the proof of wrong-doing always depends on the inferences drawn from a host of circumstances. Such a host of circumstantial evidences can be sufficient to raise a presumption with regard to the existence of a fact which can be disproved by the entity with facts, if any.

16.4.3. In this regard, the Hon'ble Supreme Court in SEBI v. Kishore R. Ajmera (2016) 6 SCC 368, held that,

".....It is a fundamental principle of law that proof of an allegation leveled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion....."

16.4.4. Hon'ble Supreme Court in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel (MANU/SC/1188/2017)* dated September 20, 2017 had held that

"....To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India v. Kishore R. Ajmera (supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and

can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified.... "

16.4.5. In view of the above judgments of Hon'ble Supreme Court, I am of the view that mens rea / intention is not required to test the violation of SEBI Regulations. Hence, I do not find any merit in the said contention of AIL.

16.5. ***Fifth Contention: Vague Order***

16.5.1. AIL submitted that the Interim Order is bad in law and must be struck down on the ground of being vague and uncertain; the Order is general and vague in nature and there is no specific case /allegation made out against AIL. Further, the said interim order which acts as a Show Cause Notice (SCN) does not meet the mandatory requirements of a valid show cause notice as laid down by the Hon'ble Supreme Court in the catena of cases and therefore it must be struck down on this ground alone.

16.5.2. In this regard, I note that SEBI as a market regulator is vested with the duty under section 11(1) of the SEBI Act, 1992 for 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. In paragraph 3 of the interim order dated September 21, 2017, it has been stated that SEBI was of the view that companies whose names are included as shell companies by SFIO and MCA, could potentially be involved in misrepresentation of financials and misusing the books of accounts/funds of the company including facilitation of accommodation entries to the detriment of minority shareholders and possible violation of LODR Regulations. Further, I note that the prima facie findings / reasons / allegation are mentioned in detail at paragraph 19 and 20 of the interim order which is reproduced at paragraph 5 above. Hence, I do not find any merit the said contention of the AIL that the said interim order is vague, uncertain and is not a valid SCN as prima facie findings / allegations are clearly mentioned at paragraph 19 and 20 of the interim order.

17. I now proceed to consider the main issue on merit. Considering the facts and circumstances of the case including the replies of AIL to the findings of the interim order, I observe the following:

17.1. ***Related Party Transaction:***

17.1.1. At paragraph 19(a) in the interim order, with respect to related party transaction, it was alleged that during the FY 2015-16 several funds transfer with Adhunik Corporation Limited (ACL) amounting to more than Rs. 400 crores are not reflected in the related party transactions. Further, requisite Audit Committee Approvals, Board Approvals and Shareholders' approval were not obtained by AIL while executing such funds transfers amounting to more than Rs. 400 crores with Adhunik Corporation Ltd. Thus, there was a prima facie evidence that AIL was not in compliance with regulation 23(4) SEBI (LODR) Regulations, 2015.

17.1.2. AIL contented that "*.....the provisions of the LODR Regulations were notified only on September 02, 2015 and came in to force only on the ninetieth day after the date of publication in the Official Gazette. Accordingly, the provisions of the related party and the related party transactions as defined in the LODR Regulations and the provisions of approval and disclosures of the said transactions under LODR Regulations were not applicable to the company for the first half year for the financial year 2015 - 2016.....*"

17.1.3. In this regard, it is observed that LODR Regulations were notified on September 2, 2015 and a time period of 90 days were provided for implementation of Regulations. Prior to LODR Regulations, a listed company was required to comply with the provisions of the Listing Agreement. Therefore, during the FY 2015-16, both Listing Agreement as well as LODR Regulations are applicable to AIL.

17.1.4. Further, Hon'ble Supreme Court in *B.S.E. Brokers Forum, Bombay & Ors Vs. Securities and Exchange Board of India and Ors* (MANU/SC/0069/2001) dated February 01, 2001 noted that "*.....It is a well-established principle in law that so*

long as the impugned power is traceable to the concerned Statute, mere omission or error in reciting the correct provision of law does not denude the power of the authority of taking a statutory action so long as its action is legitimately traceable to a statutory power governing such action....". Therefore, it is noted that the omission to mention the provisions of the Listing Agreement does not vitiate the proceedings

17.1.5. Following are the relevant provisions / clauses of Listing Agreement which are applicable to AIL during the FY 2015-16 prior to the notification of LODR Regulations:

17.1.5.1. Clause 49(VII)(A) of erstwhile Listing Agreement states that – *"A related party "transaction" is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged."* Explanation: *"A "transaction" shall be construed to include single transaction or a group of transactions in a contract"*

17.1.5.2. Clause 49(VII)(C) of the erstwhile Listing Agreement, reads as under: *"The company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Provided that a transaction with a related party shall be considered material if the transaction / transactions 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 company as per the last audited financial statements of the company."*

17.1.5.3. Clause 49(VII)(E) states that, *"All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions."*

17.1.6. Following are the relevant provisions / clauses of LODR Regulations which are applicable to AIL during the FY 2015-16 after the notification of LODR Regulations:

17.1.6.1. Regulation 2(1)(zc) of the LODR Regulations, related party transactions means *"a transfer of resources, services or obligations between a listed entity*

and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:"

17.1.6.2. Regulation 23 (1) of LODR Regulations, *"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."*

17.1.6.3. Regulation 23(2) of LODR Regulations states that *"All related party transactions shall require prior approval of the audit committee."*

17.1.6.4. Regulation 23(4) of LODR Regulations states that *"All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not."*

17.1.7. AIL accepted that ACL is a related party as per the provisions of Section 2 (76) of the Companies Act, 2013 since directors of the Company viz. Jugal Kishore Aagarwal, Mohan Lal Agarwal and Mahesh Kumar Agarwal are directors in ACL and they along with their relatives are holding are more than 2% of the total shareholding of both the Company.

17.1.8. AIL contented that *".....the transaction as alleged in the Order is not a transfer as per the provisions of the Regulation 2(1)(zc) of the LODR Regulations since there is no transfer of ownership of the funds, it is just a temporary movement of funds which is returned to ACL.....the said transaction cannot be termed as a transfer of resources, this is not a transfer as contemplated under the provisions of LODR Regulations and also money are not resources as stated in the LODR Regulations. Further there is no transfer of services or obligations in the transaction under scanner in the Order.....there is no consideration being paid for the said temporary transfer of funds and is only a single transaction....."* and *".....the fund movement of more than 200 crore approx. in the FY 2015 - 2016, to and from ACL, it is*

submitted that said transaction were not related party transactions as contemplated under the provision of LODR Regulations....."

17.1.9. In this regard, I note that AIL had accepted that ACL is a related party. As per Regulation 2(1)(zc) of the LODR Regulations, related party transactions means *"a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:"* Further, I also note that the 'Funds / Money' are a 'Financial Resources' and 'Financial Resources' are 'Resources', therefore 'transfer of funds / money' is a transfer of resources. Thus, transfer of funds (regardless of the interest / price being charged) between a listed entity and a related party falls under the definition of related party transactions as per the LODR Regulations.

17.1.10. Hence, I am of the view that the transfer of funds of more than Rs. 200 crores between AIL and ACL across multiple transactions during FY 2015-16 even if they were for temporary accommodation, the same would fall under definition of related party transactions. Thus, I do not find any merit in the contention of AIL that alleged transactions do not fall within the provision of Regulation 2(1)(zc) of the LODR Regulations.

17.1.11. AIL further contented that *".....these transactions are not a series of transactions which could be added cumulatively but a transaction wherein the same funds moved cyclically from one entity to another and back to the other. Since at no time during the year the company had due of more than Rs. 43.97 Crores and the company was of the view that the said amount is 9.68 % of the total turnover of the Company i.e. Rs. 454.32 Crores which is not material and accordingly the provisions of disclosure of material related party transaction as per the LODR were not required to be complied with....."* and *".....the amount as depicted in the interim order being more then Rs. 400 crores is actually an accumulation of the movement of the same funds in various cycles throughout the year....."*

17.1.12. In this regard, I note that as per explanation clause of Regulation 23 (1) of LODR Regulations, *"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."* Thus, as per said explanation, series of transaction occurred during the financial year has to be taken together into consideration while determining the materiality of the transaction. Thus, in the instant case, I note that the transactions between AIL and ACL, taken together during a financial year 2015-16, amounts to more than Rs. 200 crores which is more than 10% of total gross turnover of AIL during FY 2014-15 i.e. INR 455.08 crores and 10% of total net turnover of AIL during FY 2014-15 i.e. INR 411.23 crores. Further, the same is also more than 10% of total gross turnover of AIL during FY 2015-16 i.e. INR 454.32 crores and 10% of total net turnover of AIL during FY 2015-16 i.e. INR 410.08 crores. Hence, I do not find any merit in the contention of AIL that transactions between AIL and ACL were not a 'material' transaction.

17.1.13. From the extracts of resolution passed in the Board meeting and Audit Committee meeting dated May 29, 2015 as submitted by AIL, it is observed that omnibus approval of related party transaction with Adhunik Corporation Ltd. was obtained for 'Sale of Finished Goods' for Rs. 12 crores and 'Purchase of Goods' for INR 20 crores. Further, I note that AIL had not submitted the requisite Audit Committee Approvals, Board Approvals and Shareholders Approvals for transfers of funds amounting to more than Rs. 200 crores between AIL and ACL. Thus, I am of the view that AIL had not obtained the requisite Audit Committee Approvals, Board Approvals and Shareholders Approvals with respect to the transfers of funds amounting to more than Rs. 200 crores between AIL and ACL.

17.1.14. Therefore, from the above, I am of the view that with regard to the related party transaction, AIL was not in compliance with provisions of Listing Agreement and LODR Regulations. Further, I note that SEBI Act, 1992 provides various enforcement actions in order to deal with violation of securities laws. Imposition

of monetary penalty and debarring the entities for violation of securities laws are few such measures. The appropriateness of subjecting the entities to any particular enforcement action depends on various factors including the gravity of the violations and the effectiveness of the particular enforcement action in discharging the objective of investor protection and development of capital market. Therefore, in the facts and circumstances of the case, for the alleged violation of provisions of Listing Agreement and LODR Regulations in respect of related party transaction, Adjudication Proceedings shall be initiated against AIL in accordance with law. Appropriate direction in this regard is made in this order.

17.2. ***Advance from Customers:***

17.2.1. At paragraph 19(b) in the interim order, with respect to advance from customer during FY 2015-16, it was alleged that advances received from Vivekananda International University (outstanding Rs. 94,13,969/-) and Ravi Steels Pvt. Ltd (outstanding Rs. 52,23,732) prima facie do not appear to be in line with normal commercial practice. Thus, there was prima facie suspicion of misrepresentation of financials of AIL.

17.2.2. With regard to the advance received from VIU, following submissions along with evidence have been made by AIL:

17.2.2.1. That for establishing the infrastructure of a building of a new university to be opened by the trustees of Pradip & Kumkum Ghosh Family Foundation in a joint venture with the Ramkrishna Vivekananda Mission on one of properties owned by them, the foundation had approached AIL for the supply of the TMT bars in the year 2013.

17.2.2.2. That in the month of January 2014 to February 2014, there were a various series of email communication between one Amit Chawla, CEO of Krypton Specialties (representative of Pradip & Kumkum Ghosh Family Foundation), Mr. Pradip Ghosh and representative of AIL for requirement of TMT bars for

construction of VIU. A supply order for supply of 1,000 MT of TMT bars was awarded to AIL against the advance of 25% of the total transaction.

17.2.2.3. That the negotiated rate was Rs. 41,900 per MT i.e. Rs. 4,19,00,000/- for 1000 MT of TMT bars.

17.2.2.4. That against the confirmation of the order, AIL had issued a Proforma Invoice to 'VIU' for supply of 1000 MT of TMT bars for Rs. 4,19,00,000/-.

17.2.2.5. That, in the month of February 2014, an advance of Rs. 1,04,75,000/- amounting to 25% of the total transaction value was given to AIL. It was agreed upon that the advance so paid by VIU will be adjusted against the supply of goods at the end of the entire transaction amounting to Rs. 4,19,00,000/-.

17.2.2.6. That in the month of January 2014 and February 2014, AIL had supplied goods (TMT bars) amounting to Rs. 65,84,731.41/- for the aforesaid project. The copy of the Tax Invoice cum Excise Challan so raised by Company for the sale of TMT bars in the name of VIU is submitted. Following transaction details are noted from the copy of Tax Invoice cum Excise Challan:

Sl.No.	*Month*	*Item Name*	*Quantity (In MT)*	*Basic (Rs.)*	*Excise Duty (Rs.)*	*Cess (Rs.)*	*HE Cess (Rs.)*	*VAT (Rs.)*	*Total (Rs.)*
1	*Jan-14*	*TMT BAR*	*30.51*	*10,54,560*	*1,24,109*	*2,482*	*1,241*	*59,120*	*12,41,511*
2	*Feb-14*	*TMT BAR*	*128.01*	*45,38,374*	*5,34,375*	*10,688*	*5,344*	*2,54,439*	*53,43,220*
		Total	***158.52***	***55,92,934***	***6,58,484***	***13,170***	***6,585***	***3,13,559***	***65,84,731***

17.2.2.7. That due to some internal dispute at the end of the purchasing Parties, the joint venture was dissolved and the said construction of the university infrastructure was postponed till the decision of the future course of action in regard to the transaction was not taken by the participants.

17.2.2.8. That there was an instruction from VIU to AIL, to retain the advance received from VIU with AIL.

17.2.2.9. That as per the emails in February 2017 the representative of the Trust directed that the amount retained as advance should be refunded since they were not

positive if they would be able to continue with the construction of VIU and there was no point in keeping the funds with AIL.

17.2.2.10. That entire outstanding money was refunded by AIL in various tranches by September, 2017, in this regard AIL submitted the bank statement evidencing the repayment and Certificates from Canara Bank and Union Bank. The details of payment are as under-

Bank Name	Date	Amount (In Rs.)	Remarks
Canara Bank	10/03/2017	20,00,000	Ch. No.-500074
Canara Bank	26/04/2017	20,00,000	Ch. No.-179606
Canara Bank	19/05/2017	20,00,000	Ch. No.-442073
Canara Bank	27/06/2017	20,00,000	RTGS
Union Bank of India	12/09/2017	14,13,968	RTGS
Round off		1	
Total		**94,13,969**	

17.2.3. From paragraph 17.2.2 above and on examination of the various documents submitted by AIL in support thereof, I find that:

17.2.3.1. For the construction of building of VIU, on January 30, 2014 the Pradip & Kumkum Ghosh Family Foundation had awarded a supply order for supply of 1,000 MT of TMT bars for Rs. 4,19,00,000/- to AIL against advance of 25% (Rs. 1,04,75,000) of the total transaction with a condition that advance adjusted against last delivery.

17.2.3.2. As per the copy of the Tax Invoice cum Excise Challan submitted, in the month of January 2014 and February 2014, AIL had supplied goods (TMT bars) amounting to Rs. 65,84,731.41/- for the aforesaid project.

17.2.3.3. From the certificate dated February 07, 2019 issued by the Canara Bank, it is noted that AIL had made the payments of Rs. 80,00,000/- to Pradip & Kumkum Ghosh Family Foundation and from the certificate dated February 08, 2019 issued by the Union Bank, it is noted that AIL had made the payments of Rs.

14,13,968/- to Pradip & Kumkum Ghosh Family Foundation. Thus, I find that by September 2017, AIL had refund the advance of Rs. 94,13,969 to VIU

17.2.4. Thus, I am of the view that AIL had submitted sufficient explanation as well as documentary evidence with respect to the receipt of advance received from VIU as well as supply of goods to VIU. AIL had also submitted sufficient documentary evidence with respect to the repayment / refund of advance of Rs. 94,13,969 to VIU. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

17.2.5. With regard to the advance received from Ravi, following submissions along with evidence have been made by AIL:

17.2.5.1. That Ravi was one of the regular clients of AIL since 2013. The summary of the previous transactions of Ravi with AIL are as under:

Sr. No.	FY	Type of product supplied	Quantity of product supplied (MT)
1	2013-14	Wire Rod	204.28
2	2014-15	TMT Bar/Wire Rod	279.14
3	2015-16	TMT Bar	20.57
4	2016-17	TMT Bar	21.04
5	2017-18	TMT Bar	59.33

17.2.5.2. That vide Purchase order dated April 09, 2015 Ravi had directed AIL to supply 160 MT of TMT bars and had made an advance payment of Rs. 60,00,000/- during the period April 04, 2015 to June 15, 2015.

17.2.5.3. That Ravi took delivery of the delivery for 21.04 MT of TMT bars amounting to Rs. 7,76,268/- during the FY 2015-2016 and the amount of Rs. 52,23,732/- was lying with AIL as on March 31, 2016 because the balance delivery was on hold and accordingly Rs. 52,23,732/- was shown in advance from customer.

17.2.5.4. The copy of the Tax Invoice cum Excise Challan dated April 24, 2015 raised by AIL for the sale of TMT bars (Rs. 7,76,268/-) in the name of Ravi is submitted. Following transaction details are noted from the copy of Tax Invoice cum Excise Challan:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	Excise Duty (Rs.)	CST (Rs.)	Total (Rs.)
1	Apr-15	TMT BAR	20.57	6,76,486	84,561	15,221	7,76,268
		Total	**20.57**	**6,76,486**	**84,561**	**15,221**	**7,76,268**

17.2.5.5. That AIL kept on pursuing Ravi to take delivery of the order for the advance which was lying with AIL and it was mutually decided between both the parties that AIL will supply the finished goods for balance amount as and when required by them at current market price only. Ravi assured that the necessary delivery instructions will be given in due course. Accordingly the balance amount continued to be shown in the advance received from the customer.

17.2.5.6. That in the financial year i.e. FY 2018 - 2019 that Ravi took delivery of Rs. 54,51,854/- against the advance available with the Company of Rs. 52,23,732.29/-.

17.2.5.7. The copy of the Tax Invoice cum Excise Challan by AIL for the sale of TMT bars in the name of Ravi during the FY 2018-19 is submitted. Following transaction details are noted from the copy of Tax Invoice cum Excise Challan:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	IGST (Rs.)	Total (Rs.)
1	Jul-18	TMT BAR	30.02	10,95,518	1,97,193	12,92,711
2	Aug-18	TMT BAR	29.31	10,66,737	1,92,013	12,58,750
3	Oct-18	WIRE ROD	60.81	24,57,960	4,42,433	29,00,393
		Total	**120.14**	**46,20,215**	**8,31,639**	**54,51,854**

17.2.6. From paragraph 17.2.5 above and on examination of the various documents submitted by AIL in support thereof, I find that:

17.2.6.1. Vide Purchase order dated April 09, 2015 Ravi had directed AIL to supply 160 MT of TMT bars for Rs. 60,38,053/- for which an advance payment of Rs. 60,00,000/- was made by Ravi to AIL.

17.2.6.2. As per the copy of the Tax Invoice cum Excise Challan dated April 24, 2015, AIL had supplied goods (TMT bars) amounting to Rs. 7,76,267.52/- to Ravi.

17.2.6.3. The amount of Rs. 52,23,732/- was lying with AIL as on March 31, 2016.

17.2.6.4. AIL had sales transactions with Ravi during FYs 2016-17 and 2017-18.

17.2.6.5. As per the copy of the Tax Invoice cum Excise Challan issued during the FY 2018-19, AIL had supplied goods amounting to Rs. 54,51,854/- to Ravi i.e. Ravi took delivery of Rs. 54,51,854/- against the advance available with AIL of Rs. 52,23,732.29/-

17.2.7. Thus, I am of the view that AIL had submitted sufficient explanation as well as documentary evidence with respect to the receipt of advance received from Ravi as well as supply of goods to Ravi. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

17.3. ***Advance payment to Supplier:***

17.3.1. At paragraph 19(c) in the interim order, with respect to advance to supplier during the FY 2015-16, it was alleged that AIL had made advance payment of Rs. 10.15 crores to Gagan Ferrotech Limited (hereinafter referred to as "**Gagan**") in the month of March 2016 (Rs. 8.27 crores outstanding as on March 31, 2016) with respect to purchase order issued to Gagan in the month of March 2015. The said amount was subsequently refunded back to AIL by Gagan during the period April 12, 2016 to June 08, 2017 (i.e. during the period of approximately 15 months) as no purchases were made by AIL. Thus, there appears to be *prima facie* suspicion of misuse of books of accounts / funds of AIL.

17.3.2. With regard to the advance payment to Gagan, following submissions along with evidence have been made by AIL:

17.3.2.1. That Gagan was one of the many suppliers of raw material required for the production of finished goods by AIL.

17.3.2.2. That AIL has business relations with this Gagan since 2011. The summary of year wise transaction with Gagan is as under:

Sr. No.	FY	Type of product supplied	Quantity of product supplied (MT)
1	2011-12	Billet	5,622
2	2012-13	Billet	15,890
3	2013-14	Billet	423
4	2014-15	Billet	15,921
5	2015-16	Billet/Wire Rod	6,875
6	2016-17	TMT	70
7	2017-18	Wire Rod	400
	Total		**45,201**

17.3.2.3. In the FY 2015 – 2016, AIL had made total purchases to the tune of Rs. 17,61,68,253/- and had issued Letter of Credit to the extent of Rs. 14,19,46,016/- to Gagan, which shows that AIL was continuously dealing with Gagan for the supply of necessary raw materials. The copy of the Tax Invoice cum Excise Challan so raised by Gagan for the sale of Goods in the name of AIL is submitted. Following transaction details are noted from the copy of Tax Invoice cum Excise Challan:

Sl.No.	Month	Item Name	Quantity (MT)	Basic (Rs.)	Excise Duty (Rs.)	CST (Rs.)	Total (Rs.)
1	May-15	BILLET RM	1,150.13	3,01,33,407	37,66,676	16,95,004	3,55,95,087
2	Oct-15	BILLET RM	371.94	83,31,456	10,41,432	4,68,644	98,41,532
3	Nov-15	BILLET RM	628.65	1,40,81,759	17,60,220	7,92,099	1,66,34,078
4	Jan-16	Wire Rod (RM)	639.09	1,52,46,705	19,05,838	8,57,627	1,80,10,170
5	Feb-16	BILLET RM	2,511.03	4,92,21,157	61,52,644	27,68,690	5,81,42,491
		Wire Rod (RM)	254.9	57,35,252	7,16,906	3,22,608	67,74,766
6	Mar-16	BILLET RM	1,319.37	2,63,87,413	32,98,425	14,84,291	3,11,70,129
		Total	**6,875.11**	**14,91,37,148**	**1,86,42,141**	**83,88,964**	**17,61,68,253**

17.3.2.4. That AIL had placed an order for a specific composition of billets from Gagan for its production requirements vide its Purchase order No. AIL/RM/14-15/0456 dated March 30, 2015. The requirement of the billets was of specific composition, therefore, the rates for the said was readily not decided and was decided after much mutual discussion. Further, before making of advance payment for purchase of billets, the purchase order dated March 30, 2015 got revalidated vide revalidation letter dated March 07, 2016. Thus, there was nothing out of ordinary in making the advance payment of Rs. 8,27,34,285/- to Gagan.

17.3.2.5. That after confirming the order for the billets, Gagan was not able to fulfill the necessary supply within the time and subsequently confirmed that it was not in the position to fulfill the supply order within the decided period. However, upon enquiry of the supply of the billets, Gagan always assured that the same would be supplied to AIL since Gagan was trying to manufacture the same as per AIL's specification. When Gagan was not able to fulfill its contract pertaining to the specific billets for an extended period of time, the contract entered in to with Gagan was cancelled.

17.3.2.6. In light of the above the advance paid to Gagan was then to be returned by them on an immediate basis upon the cancellation of the contract. Accordingly, AIL demanded the advance paid by it to Gagan to be repaid to them, however even after repeated requests Gagan did not repay the money. AIL tried its best to recover the money from Gagan by doing regular follow up to the middle as well as top level management of Gagan and was able to recover money from Gagan without any loss.

17.3.2.7. That since much difficulty was faced by AIL for the recovery of the amount which was paid in advance by AIL, it would have been more difficult to extract interest on the delay in the repayment of the advance paid to Gagan for the supply of goods and therefore AIL as per its commercial wisdom

decided not to pursue further for interest and slow down the business with the Party in future years.

17.3.2.8. That though there was a delay in getting the refund of the advance paid to the supplier, there was no misuse of funds as the money which was paid to Gagan was received back by AIL in due course of time though there was delay.

17.3.2.9. That Company had received additional refund of Rs. 0.49 crores from Gagan, the same was erroneously received from Gagan and was subsequently adjusted in future transactions i.e. during FY 2016-2017 and FY 2017 - 2018, AIL had purchased raw materials of 70 MT and 400 MT from Gagan respectively.

17.3.3. From paragraph 17.3.3 above and on examination of the various documents submitted by AIL in support thereof and interim order, I find that:

17.3.3.1. For a specific composition of billets from Gagan, AIL had placed purchase order dated March 30, 2015 for the purchase of 3500 MT of billets for Rs. 10,83,20,625/- which was revalidated vide letter dated March 07, 2016. For said order an advance payment of Rs. 8,27,34,285/- was made by AIL to Gagan during the period from March 08, 2016 to March 22, 2016.

17.3.3.2. Since Gagan was not able to fulfill the necessary supply of specific composition of billets, the contract of AIL with Gagan was cancelled. Upon the cancellation of the contract, AIL on immediate basis demanded the repayment of the advance paid, from Gagan.

17.3.3.3. The first installment of refund was received by AIL from Gagan on April 12, 2016 and last installment was received on June 08, 2017. A total refund of Rs. 8,76,90,000/- was received by AIL from Gagan against the advance payment of Rs. 8,27,34,285/-. The additional amount of Rs. 0.49 crores so received by AIL from Gagan was adjusted in subsequent transactions.

17.3.3.4. The last installment of advance made by AIL to Gagan was on March 22, 2016 and first installment of refund received by AIL from Gagan was on April 12, 2016. This shows that upon cancellation of contract, AIL had acted immediately for refund of advance.

17.3.3.5. Further, as per the copy of the Tax Invoice cum Excise Challan issued by Gagan during the FY 2015 - 16, Gagan had supplied goods amounting to Rs. 17,61,68,253/- to AIL (in March 2016 itself Gagan had supplied goods amounting to Rs. 3,11,70,129/- to AIL).

17.3.4. Thus, I am of the view that AIL had submitted sufficient explanation as well as documentary evidence with respect to the advance payment made to Gagan and subsequent receipt of refund of said advance from Gagan. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

18. In summary from the above, I note the following:

18.1. That with regard to the related party transaction, AIL was not in compliance with provisions of Listing Agreement and LODR Regulations. Therefore, for the alleged violation of provisions of Listing Agreement and LODR Regulations by AIL, adjudication proceedings shall be initiated in accordance with law.

18.2. That with regard to advance from customer (VIU), AIL had submitted sufficient explanation as well as documentary evidence with respect to the receipt of advance received from VIU as well as supply of goods to VIU. AIL had also submitted sufficient documentary evidence with respect to the repayment / refund of advance of Rs. 94,13,969 to VIU. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

18.3. That with regard to advance from customer (Ravi), AIL had submitted sufficient explanation as well as documentary evidence with respect to the receipt of advance

received from Ravi as well as supply of goods to Ravi. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

18.4. That with regard to advance payment to supplier (Gagan), AIL had submitted sufficient explanation as well as documentary evidence with respect to the advance payment made to Gagan and subsequent receipt of refund of said advance from Gagan. Therefore, given the existing material on records, there is no longer a suspicion that said transaction was not a genuine transaction and it is no longer a valid basis for requiring forensic audit.

ORDER

19. In view of the foregoing, I, in exercise of the power 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 dispose off the proceedings initiated vide Interim Order dated September 21, 2018, with immediate effect. The directions mentioned in the Interim Order dated September 21, 2018 is hereby revoked. Adjudication Proceedings shall be initiated in accordance with law against AIL for the alleged violation of provisions of Listing Agreement and LODR Regulations in respect of related party transaction as outlined in paragraph 17.1 above.

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

Madhabi Puri Buch

DATE: AUGUST 29th, 2019

PLACE: MUMBAI

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA