

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.	Dalmia Industrial Development Limited	AAACD9405B

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

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 Dalmia Industrial Development Limited (hereinafter referred to as "DIDL" / "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 DIDL 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

Order in the matter of M/s Dalmia Industrial Development Limited



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, DIDL filed an appeal No. 211 of 2017 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). The Hon'ble SAT vide order dated August 29, 2017 had noted that DIDL had made representation to BSE, with a copy to SEBI and directed SEBI to dispose of the representation made by DIDL as expeditiously as possible within a period of four weeks from the date of order. Hon'ble SAT also held that passing of any order on the representation made by DIDL would not preclude SEBI to further investigate the case of DIDL 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 DIDL on September 14, 2017. The authorized representative of DIDL had appeared for hearing and made submissions.

Directions in the Interim Order:

4. Thereafter, SEBI vide Interim Order dated September 26, 2017 (hereinafter referred to as "Interim Order"), had modified the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against M/s Dalmia Industrial Development Limited as under:

"28.

- i. *The trading in securities of DIDL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.*
- ii. *Exchange shall appoint an independent forensic auditor interalia to further verify:*
 - a. *Misrepresentation including of financials and/or business by DIDL, if any;*



- b. *Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.*
- iii. *The promoters and directors in DIDL are permitted only to buy the securities of DIDL. The shares held by the promoters and directors in DIDL shall not be allowed to be transferred for sale, by depositories.*
- iv. *The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d), as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against M/s Dalmia Industrial Development Limited.*
29. *The 'directors' for the purpose of direction mentioned at para 28(iii) above shall mean and include:*
- (a) *the persons who are acting as directors on the date of this order, or*
- (b) *the persons who are acting as directors of this company as on August 07, 2017, who cease to be director, by way of disqualification by any other authority, or by way of resignation or by any other means, on or after August 07, 2017.....”*

Observations in the Interim Order:

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

“.....

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

- (a) *As per the Memorandum of Association (MOA), the main objective of the company is “To carry on the business in India and abroad as traders, distributors, dealers, exporters, importers, brokers, stockist & commission agents in all types of goods and services”. However, almost 1/3rd (33%) of its assets are in investment for which the company has failed to provide authorization documents from its Board or disclosure documents to the exchanges. Further, with respect to the other current assets (note no.13 of consolidated financial statements of FY 2015-16) consists of an amount of*



Rs.3.20 crore given to E-City Projects Lucknow Private Limited. The company has provided the agreement entered dated August 01, 2014 between DIDL and E-City Projects Lucknow Private Limited. However, company has failed to reply on "link to business". A review of the agreement indicates that DIDL has invested in a real estate / development project on a profit share basis which prima facie is not in line with its stated objective. Taken together, these investments comprise more than 46% of the assets of the company. Thus, there appears to be prima facie evidence of misrepresentation of the business of the company.

- (b) *During the course of hearing company was advised to submit the bank statement for the financial year 2016-17, on analysis of bank statement of A/c.no. 62338284318 State Bank of Hyderabad, Brabourne Road, Kolkata, it is observed that there are entries of funds received by DIDL from single/multiple entities and almost the same amount transferred to other entity / entities on the same/next day. This pattern of back-to-back transactions leads to suspicion that the books of accounts may have been used to facilitate accommodation transactions.*
- (c) *From the financial statements (Standalone & Consolidated) as at March 31, 2017 and based on the company's submissions, it is noted that the subsidiaries have no significant operations. However, it is observed that other current liabilities reported as per standalone financial statements as at March 31, 2017 is Rs.0.40 lakhs only, whereas, as per consolidated financial statements as at March 31, 2017, the reported current liabilities are Rs.334 lakhs. Further, the non-current investments as per standalone financial statements as at March 31, 2017 is Rs.0.00 whereas as per consolidated financial statements as at March 31, 2017 is Rs.334 lakhs. From the consolidated & standalone results, prima facie it appears that there are practically no transactions /operations in subsidiary companies, which raises a suspicion about the genuineness of other current liabilities as well as non-current investments as reported at March 31, 2017 (consolidated).*



- (d) *With regard to trade receivables of Rs. 3.03 crore reported in the consolidated financial statements of FY 2015-16, DIDL in its reply dated September 20, 2017 has referred to 'Annexure-4'. However, upon perusal of documents submitted by the company alongwith its reply dated September 20, 2017 there is no 'Annexure-4'. Thus, the company had failed to provide full breakup party wise, back up documents underlying the transactions and their link to the business.*
- (e) *During the course of hearing, the company was advised to provide the top 10 contributors for sales/purchases by value with the backup documents. DIDL vide reply dated September 20, 2017 has enclosed the top 10 contributors for sales/purchases by value with the backup documents as 'Annexure-6'. However, upon perusal of documents submitted by the company along with its reply dated September 20, 2017 no 'Annexure-6' was found. Despite follow-up by SEBI, the company failed to furnish the same.*
- (f) *Vide affidavit dated September 22, 2017, Mr. Vikash Chowdhary affirmed and declared that he has stepped down from DIDL from the end of May 2017, due to ill health (high diabetes, heart problem & high blood pressure). The collective shareholding of his family in DIDL was 0.51% consisting of 1,03,600 equity shares. During the past 3 years, he had volunteered not to accept any remuneration from company due to low profitability of the company. In respect of DIDL, he was never questioned by government/regulatory authorities regarding directly or indirectly facilitating accommodation entries. He further affirmed that in September 2015, a Survey was conducted by the Income Tax Authority, where he was forced to give certain statements about accommodative entries and under duress and coercion and also threat where he was compelled to say against his consent and desire that he had helped in providing accommodation entry to some beneficiaries though he had no financial capacity and ability to accommodate any one. The Statements recorded were totally incorrect taken under pressure, therefore he denies and retracts all such statements.*



(g) *Vide affidavit dated September 20, 2017, Mr. Raj Mohta affirmed and declared that he is the Director of DIDL and board has authorized him to carry out such functions, exercise such powers and perform such duties from time to time determine and entrust to him. He being the director, report to the board and is responsible for all actions to the board. Only the Board has absolute power to decide the policies of the company.*

.....”

6. Vide said interim order, SEBI had advised DIDL 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 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 DIDL 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 DIDL automatically, without any further orders.
7. Vide email dated September 27, 2017 the copy of interim order was forwarded to DIDL. Vide letter dated September 27, 2017, the copy of interim order was also sent to DIDL at “*Dalmia Industrial Development Limited, 33/1, Room No. 816, Marshall House, Netaji Subhas Road, Kolkata, West Bengal – 700 001*” through Speed Post and the same was delivered.
8. DIDL vide letter dated October 25, 2017 had acknowledged the receipt of interim order and requested for an opportunity of personal hearing.

Reply and Hearing

9. **First opportunity of hearing:** In the interest of natural justice, SEBI vide communication dated November 06, 2017 had granted DIDL an opportunity of personal hearing on December 14,



2017 at Head Office, Mumbai. DIDL vide letter dated December 12, 2017 had requested to adjourn the scheduled hearing due to non-availability of their authorized representatives.

10. **Second opportunity of hearing:** In view of DIDL letter dated December 12, 2017 the hearing scheduled on December 14, 2017 was postponed. In the interest of natural justice, SEBI vide letter dated December 18, 2017 had granted DIDL another opportunity of personal hearing on January 11, 2018 at Head Office, Mumbai. On January 11, 2018, Mr. Lokanath Mishra, Advocate, and Mr. Satyajit Mishra, Practicing Company Secretary and Authorized Representatives (collectively referred to as “ARs”) appeared for DIDL and made oral submissions and also requested to take lenient view in the matter. With respect to the observations made at para 21 of interim order dated September 26, 2017, ARs submitted the following documents / submissions:

“

- (a) *The copy of board resolutions dated May 12, 2014, May 30, 2015, April 15, 2016 and May 12, 2017.*
- (b) *The list/details of subsidiaries as on March 31, 2017.*
- (c) *The details of payment & receipt summary for the years 2016-2017 alongwith the copy of invoices.*
- (d) *Copy of Income Tax Return acknowledgement and Audited Financial Statements of M/s E City Projects Lucknow Private Limited for financial years 2014-15, 2015-16 and 20116-17. Brochure of E City Projects Lucknow Private Limited and copy of possession handing over memo from Cuttack Development Authority.*
- (e) *Copy of Annexure-4 and Annexure-6 referred in its reply dated September 20, 2017.*

The undersigned noted that aforesaid submitted documents are not backed/supported by third party verifiable documents. ARs/DIDL are advised to submit the third party verifiable documentary proof/evidence with respect to the observations made at para 21 of interim order dated September 26, 2017 alongwith its written submission, if any, by January 25, 2018.



.....

11. Pursuant to the hearing held on January 11, 2018, DIDL vide letter January 24, 2018 had submitted the following documents:

S. No.	Document submitted
1	<p>i) Agreement dated 01/08/2014 entered between DIDL & E-City Projects Lucknow Private Limited (E-City) along with construction photographs.</p> <p>ii) Copy of balance confirmation of outstanding liabilities for certain subsidiaries i.e. Swarnsathi Vanijya Pvt. Ltd., Prempushap Vyapaar Pvt. Ltd., Dasbhuj Vanijya Pvt. Ltd., Shitalmayee Commercial Pvt. Ltd., Shivaasha Suppliers Pvt. Ltd., Giridham Merchandise Pvt. Ltd., for the FY 2016-17.</p> <p>iii) Indian Bank account statement of subsidiaries viz. Sameeksha Vyapaar Pvt. Ltd. A/c No.6353115133, Subhratri Shoppers Pvt. Ltd. A/c No.6353115508, Yaduveer Marketing Pvt. Ltd. A/c No.6210742928, Dumont Suppliers Pvt. Ltd. A/c No.6358448588 and Lifenu Projects Pvt. Ltd. A/c No.6350163575 for the period 01/04/2015 to 20/05/2016</p> <p>iv) Copy of invoices pertaining to investments made by subsidiaries in the FY 2015-16.</p> <p>v) Copy of ledger account of DIDL for the period 01/04/2016 to 31/03/2017 in the books of debtors viz. Venus Closures Pvt. Ltd. (Venus) along with relevant extracts of State Bank of Hyderabad Account Statement A/c No. 62336760210 of Venus Closures Pvt. Ltd. highlighting the amounts received from Venus. Copy of ledger account of DIDL for the period 01/04/2016 to 31/03/2017 in the books of debtors viz. Linkstar Vincom Pvt. Ltd. (Linkstar), Mukkadar Vanijya Pvt. Ltd. (Mukkadar), A.R. Vyapar Pvt. Ltd. (A.R. Vyapar) along with relevant extracts of State Bank of Hyderabad Account Statement A/c No. 62425937563 of A.R. Vyapar highlighting the amounts received from A.R. Vyapar. Copy of ledger account of DIDL in the books of debtors viz. Varnika Sarees Pvt. Ltd</p>



	<p>(for the period 01/04/2016 to 23/01/2018) and Tripurari Deal Trade Pvt. Ltd. (Tripurari) (ledger from 01/04/2016 to 23/01/2018) along with relevant extract of State Bank of Hyderabad Account Statement A/c No. 62302302883 of Tripurari highlighting the amount received from Tripurari. Copy of ledger account of DIDL for the period 01/04/2016 to 24/01/2018 in the books of debtors viz. Aradhana Sarees.</p> <p>vi) Copy of ledger account of DIDL in the books of creditors viz. Admire Vinimay Pvt. Ltd. (Admire) (ledger from 01/04/2016 to 31/03/2017) along with relevant extracts of State Bank of India Account Statement A/c No. 62386659916 of Admire highlighting the amounts paid to Admire, Ginni Vinimay Pvt. Ltd. (Ginni) (ledger from 01/04/2016 to 31/12/2016) along with relevant extracts of State Bank of India Account Statement A/c No. 62386596668 of Ginni highlighting the amounts paid to Ginni, Grihalakshmi Sales Pvt. Ltd. (Grihalakshmi) (ledger from 01/04/2016 to 31/03/2017) alongwith relevant extracts of State Bank of Hyderabad Account statement A/c No.62451130490 of Grihalakshmi highlighting the amounts paid to Grihalakshmi, Bhima Agencies Pvt. Ltd. (Bhima) (ledger from 01/04/2016 to 31/03/2017) along with relevant extracts of State Bank of Hyderabad Account statement A/c No. 62302303263 of Bhima highlighting the amounts paid to Bhima, Shree Oshiya Strips Impex (ledger from 01/04/2016 to 31/03/2017), Hari Om Suppliers Pvt. Ltd. (ledger from 01/04/2016 to 09/08/2016) and Calcutta Sarees (ledger from 01/04/2016 to 31/03/2017) along with 2 invoices.</p>
2	Copy of purchase ledger of DIDL for the period 01/04/2016 to 31/03/2017 along with invoices and delivery challans.
3	Copy of sales ledger of DIDL for the period 01/04/2016 to 31/03/2017 along with invoices and delivery challans.

12. It is noted that apart from aforesaid documents, DIDL did not submit its reply/written submissions in the matter. Further, DIDL has not stated the observations of the interim order



against which they have submitted aforesaid documents. Thus, SEBI has tried to correlate the documents against the observation of the interim order.

Issue for consideration

Whether in light of the facts and circumstances of the case, the findings of the interim order and the documents submitted by the company, the directions issued against the company vide the interim order need to be confirmed, revoked or modified in any manner?

13. Considering the above mentioned facts and circumstances and documents submitted by DIDL in response to the Interim order, the observations are as under:

(a) With respect to the observation mentioned at paragraph 21 (a) of interim order as regards to investments by DIDL, following is noted:

(i) During the hearing DIDL has provided the extracts of minutes of Board of Directors of the company dated May 12, 2014, May 30, 2015, April 15, 2016 and May 12, 2017 wherein the Chairman of the DIDL has inter-alia informed to the Board that *“the company has funds for its project. However, considering the slug in the business of the company and adequate precautions, the money be utilized for extending loan to the entities in the best interest of the Company”*.

(ii) On perusal of the document, it is observed that Board has passed resolutions to invest/acquire securities and make/give loans to body corporates whether in India or outside India which may or may not be subsidiary (ies) of the company as the Board may think fit, in pursuance of Section 186 of the Companies Act, 2013. The relevant extract of minutes, as appearing in all the Board resolutions is as follows:

“to invest/acquire from time to time by way of subscription, purchase, conversion or otherwise Equity Shares, Preference Shares, Debentures (whether convertible or non-convertible) or any other financial instruments of one or more bodies corporate, whether in India or outside, which may or may



not be subsidiary(ies) of the Company as the Board may think fit, in pursuance of Section 186 of the Companies Act, 2013 (including any ordinance or statutory modification or re-enactment thereof, for the time being in force) and to make/give from time to time any loan or loans to anybody or bodies corporate, whether in India or outside, which may or may not be subsidiary(ies) of the Company as the Board may think fit, in pursuance of Section 186 of the Companies Act, 2013 (including any ordinance or statutory modification or re-enactment thereof, for the time being in force) to the extent of the limits prescribed under section 186 of the Companies Act, 2013.

Resolved Further that Mr. Vikash Chowdhary, Managing Director of the Company be and is hereby authorized to take decision and extend loan to the concerns upto the extent of Rs.10 crore in the best interest of the Company.”

- (iii) It is observed that except Board resolution dated May 12, 2017, all other Board Resolutions (mentioned above) are passed prior to listing on BSE. As per the information available on BSE website, DIDL was listed with effect from May 31, 2016 and corporate announcements of the company are available from July 18, 2016. Further, Annual Report 2015-16 & 2016-17 were available in public domain.
- (iv) As per Annual Report 2016-17 available on BSE website, it is noted that Mr. Vikash Chowdhary resigned from the post “Managing Director” with effect from May 30, 2017 and Mr. Raj Mohta was appointed as “Whole Time Director” with effect from May 30, 2017.
- (v) Further, it is noted that all the aforementioned resolutions (dated May 12, 2014, May 30, 2015, April 15, 2016 and May 12, 2017) submitted by DIDL appear to have been signed by Mr. Raj Mohta as Managing Director instead of Mr. Vikash Chowdhary. The signature of Mr. Vikash Chowdhary in Annual Report 2015-16 and Mr. Raj Mohta in Annual Report 2016-17 are as follows:



Signature of Vikash Chowdhary

Signature of Raj Mohta


Vikash Chowdhary
Managing Director
DIN: 00182941



For Dalmia Industrial Development Limited


Raj Mohta
Whole Time Director
Din: 03575779

- (vi) The extract of signature on all the Board resolutions submitted by DIDL during the hearing is as follows:

FOR DALMIA INDUSTRIAL DEVELOPMENT LIMITED


MANAGING DIRECTOR



- (vii) It is also noted from BSE website that on May 12, 2017, DIDL has made an announcement informing that *“the Board of Directors of the Company at its meeting held today has approved the proposal of re-classification of persons named in Annexure A (enclosed herewith) from “Promoter and Promoter Group” to “Public Category”*. On review of the list, it is observed that Mr. Vikash Chowdhary was also reclassified from Promoter and Promoter group to Public Category. Further, it is noted that on BSE website on May 12, 2017 there was no announcement with respect to the board meeting of DIDL held on May 12, 2017 [board meeting content is mentioned at paragraphs 13(a)(i) & 13(a)(ii) above]. Thus, it is noted that apart from announcement with regard to re-classification of persons from *“Promoter and*



Promoter Group” to “Public Category” there was no other announcement made by DIDL on BSE website on May 12, 2017.

- (viii) Thus, in view of the above, there appears strong suspicion about the genuineness of the Board resolutions (dated May 12, 2014, May 30, 2015, April 15, 2016 and May 12, 2017) submitted by DIDL to SEBI. Hence, I do not find any merit in the said submitted documents. In view of this, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order. Further, Auditor is directed to look into possible false submissions of documents to SEBI.
- (ix) DIDL has not filed any written submission(s) with respect to link to business for granting Rs.3.20 crore to E-City. However, during the hearing the company has provided Copy of Income Tax Return acknowledgement and Audited Financial Statements of M/s E-City for the FY 2014-15, 2015-16 and 2016-17, Brochure of E-City, copy of possession handing over memo dated September 06, 2011 and allotment of commercial plot dated March 17, 2008 by Cuttack Development Authority to E-City. On perusal of the audited financial statements of E-City, it is observed that the amount i.e. Rs.3.20 crore given by DIDL was shown under “Other Long Term Liabilities” during FY 2014-17. Further, DIDL vide reply dated January 24, 2018 again provided the copy of Agreement dated August 01, 2014 entered between DIDL & E-City along with construction photographs. Interim order has prima facie found that DIDL has invested in a real estate / development project on a profit share basis which prima facie is not in line with its stated objective. DIDL had not submitted any plausible explanation/documents in respect of said findings mentioned in the interim order. In view of this, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order.
- (b) With respect to the observation mentioned at paragraph 21 (b) of interim order as regards to funds received by DIDL from single/multiple entity(ies) and transferring of almost same amount to other entity(ies) on same or next day, it appears that DIDL during the



hearing submitted a statement of payment & receipt summary for the Financial Year (FY) 2016-17 along with the copy of certain sales invoices of FY 2016-17 and purchase invoices of FY 2015-16. DIDL in receipts & payments summary statement given the details such as receipt of amount(s) from sale of investments, loan refund, debtor and payment to creditor(s). From the receipt & payment summary statement, it appears that out of Rs.5.29 crores other loans & advances (shown in FY 2015-16), DIDL during FY 2016-17 received Rs.3.67 crores. However, DIDL has not provided the relevant bank account statement highlighting the respective amounts, other supporting documents such as stamped agreements, contract notes, VAT payment receipt or any other third party verifiable documents to establish the genuineness of the underlying transactions.

Further, SEBI vide email dated July 23, 2018 gathered bank account statement for account number 62338284318 of DIDL from the banker i.e. SBI/SBH. Upon perusal of the bank account statement received from SBI/SBH, SEBI tried to match the figures shown in the receipt and payment summary submitted by DIDL with the bank account statement received from the banker. However, it is noticed that since the bank account statement gathered from banker does not have the details of counter parties, the genuineness of the amounts cannot be ascertained. In view of this, the prima facie finding that the pattern of back-to-back transactions leading to suspicion that the books of accounts may have been used to facilitate accommodation transactions has not been contradicted with sufficient documentary evidence. Therefore, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order

- (c) With respect to the observation mentioned at paragraph 21 (c) of interim order as regard to other current liabilities and non-current investments, DIDL during the hearing provided a statement showing list of 27 subsidiaries along with their closing balances as on March 31, 2017 for other current liabilities and non-current investments. The summary of information provided by DIDL is as follows:



(Rs. in Lakhs)

Particulars	Other Current Liabilities	Non-Current Investments
Total of 27 subsidiaries	334.11	334.76

- (i) With respect to non-current investments, from the statement(s) submitted by DIDL during hearing, it is observed that 27 subsidiaries of DIDL made investments in unlisted/private limited companies only. Further, DIDL vide its reply dated January 24, 2018, provided photocopy(ies) of certain bills for investments made/purchased by the subsidiaries. On verification of bills, it is observed that these investments made by the subsidiaries were in the period of January to March – 2016. Further, out of Rs.334.76 lakhs, DIDL provided bills worth Rs.148.81 lakhs (44.45%) only. DIDL has not provided backup document(s) such as share transfer form relating to purchase of shares, shares certificates, RTA/Depositories certificates, bank statement highlighting the consideration paid for purchase of shares, etc., to substantiate the investments made. In view of this, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order.
- (ii) With respect to outstanding liabilities, out of 27 subsidiaries, DIDL vide its reply dated January 24, 2018 provided the balance confirmation (third party) for 6 subsidiaries i.e. Swarnsathi Vanijya Pvt. Ltd., Prempushap Vyapaar Pvt. Ltd., Dasbhuj Vanijya Pvt. Ltd., Shitalmayee Commercial Pvt. Ltd., Shivaasha Suppliers Pvt. Ltd. and Giridham Merchandise Pvt. Ltd. As per balance confirmation statement, these 6 subsidiaries have claimed to receive an amount of Rs.10 lakhs each, either on 30-Mar-2017 or 31-Mar-2017. Further, out of the above 6 subsidiaries, 3 subsidiaries have claimed to received Rs.10 lakhs each from single party viz. Dharvee Enterprises Pvt. Ltd. For remaining 21 subsidiaries, DIDL has not provided any supporting documents/third party verifiable documents. In view of this, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order.



(d) With respect to the observation mentioned at paragraph 21 (d) of interim order as regards to trade receivable of Rs.3.03 crores as on March 31, 2016 (FY 2015-16), DIDL during personal hearing has submitted "Annexure -4" referred in its reply dated September 20, 2017. On perusal of the same, it is observed that DIDL provided ledger account of A. R Vyapar Pvt. Ltd. from April 2015 to June 2016 and Sanskar Goods Pvt. Ltd. for the FY 2015-17 along with relevant bank account statement of DIDL i.e. State Bank of Hyderabad (SBH) A/c No. 62338284318 and few sales invoices pertaining to FY 2015-16. As per the ledgers, an amount of Rs.1.14 crores and Rs.1.89 crores (which comes to Rs.3.03 crore) is receivable from A. R Vyapar Pvt. Ltd. and Sanskar Goods Pvt. Ltd., respectively. On comparing the above ledgers with relevant bank account statement of DIDL, it appears that amount receivable from A. R Vyapar Pvt. Ltd. and Sanskar Goods Pvt. Ltd. was received during FY 2016-17. Further, it is noted that DIDL vide letter January 24, 2018 also provided the ledger account and bank statement of A. R Vyapar Pvt. Ltd. as a third party verifiable documents. I also note that the bank statement does not have the counter party details (i.e. party from whom the amount is received) and DIDL had not provided any other supporting documents such as stamped agreements, contract notes, VAT payment receipt or any other third party verifiable documents to establish the genuineness of the underlying transactions. Thus, I note that DIDL had failed to submit any plausible explanation/documents in respect of trade receivable of Rs.3.03 crores as on March 31, 2016 (FY 2015-16) as mentioned in the interim order. Therefore, I do not find any merit in the said documents submitted by DIDL. In view of this, I find that there is no evidence on this point to contradict the prima facie findings of Interim Order.

(e) With respect to the observation mentioned at paragraph 21 (e) of interim order as regards to top 10 contributors to sales/purchases by value, DIDL during the personal hearing has submitted "Annexure -6" referred in its reply dated September 20, 2017.

(i) On perusal of the same, it is observed that DIDL provided ledger account of A. R Vyapar Pvt. Ltd., Sanskar Goods Pvt. Ltd., Varnika Sarees Pvt. Ltd., Dhanvarsha



Properties Pvt. Ltd. and Panghat Textiles Pvt. Ltd. for FY 2015-16 along with few sales invoices. The above 5 debtors have contributed Rs.19.39 crores out of total sales of Rs.47.67 crore in FY 2015-16 (Consolidated). Further, DIDL provided ledger of Cainhill Development Pvt. Ltd. for FY 2015-16 along with few purchase invoices.

(ii) Further, DIDL vide letter dated January 24, 2018 provided the ledgers accounts for parties i.e. debtors and creditors for FY 2016-17, as a third party verifiable documents. The information submitted by DIDL are as follows:

(iii) Top Contributors to Sales

S. No.	Name of Debtor	Sales as per ledger (in Rs.) (A)	Amount received from Debtor in FY 17 as per ledger (in Rs.) (B)	Closing Balance (C=A-B)
1	Venus Closures Pvt. Ltd. (Venus)	10,03,35,260	8,82,50,000	1,20,85,260
2	Linkstar Vincom Pvt. Ltd. (Linkstar)	5,18,81,110	4,28,40,000	90,41,110
3	Mukkadar Vanijya Pvt. Ltd. (Mukkadar)	4,43,80,000	4,43,80,000	0
4	A. R Vyapar Pvt. Ltd. (Vyapar)	1,24,47,180	15,00,000	1,09,47,180
5	Varnika Sarees Pvt. Ltd. (Varnika)	1,03,43,603	1,03,43,603	0
6	Tripurari Deal Trade Pvt. Ltd. (Tripurari)	58,90,000	58,90,000	0
7	Aradhana Sarees	58,03,090	58,03,090	0
Total sales for FY 2016-17		23,10,80,243	19,90,06,693	3,20,73,550

From the above table, it is observed that there are 7 parties, who have contributed Rs.23.11 crore sales made by DIDL during FY 16-17. DIDL has provided ledger



account of DIDL in their debtor's books as third party verifiable documents. Further, DIDL has also submitted bank statement of only 3 parties (i.e. Venus, Vyapar & Tripurari) highlighting the amounts received from these 3 parties. I noticed that funds have moved, however, the counter party details are not available in bank statement of DIDL and Debtors. I also noticed that DIDL had not provided any other supporting documents such as stamped agreements, contract notes, VAT payment receipt or any other third party verifiable documents to establish the genuineness of the underlying transactions.

(iv) Top Contributors to Purchases

S. No.	Name of Creditor	Purchases as per ledger (in Rs.) (A)	Amount Paid to Creditor in FY 17 as per ledger (B)	Closing Balance (A-B)
1	Admire Vinimay Pvt. Ltd. (Admire)	11,06,11,600	11,06,11,600	0
2	Ginni Vinimay Pvt. Ltd. (Ginni)	8,77,00,000	8,77,00,000	0
3	Grihalakshmi Sales Pvt. Ltd. (Griha)	4,86,36,460 (excluding opening balance of Rs.69,12,670)	4,86,36,460	0
4	Bhima Agencies Pvt. Ltd. (Bhima)	2,03,92,270	2,03,92,270	0
5	Shree Oshiya Strips Impex (Shree)	1,50,04,404	1,50,04,404	0
6	Hari Om Suppliers Pvt. Ltd. (Hari)	15,00,000 (ledger provided from 01/04/16 to 09/08/16 only)	0	NA
7	Calcutta Sarees	6,98,750	6,98,750	0
Total Purchases for FY 17		28,45,43,484	28,30,43,484	



From the above table, it is observed that DIDL has purchases of Rs.28.45 crores from 7 parties (as above) during FY 16-17. DIDL has provided ledger accounts of DIDL in the books of its creditors as third party verifiable documents. Further, DIDL has also submitted bank statement for only 4 parties (i.e. Admire, Ginni, Griha & Bhima) highlighting the amounts paid to them. I noticed that funds have moved, however, the counter party details are not available in bank statement of DIDL and Creditors. I also noticed that DIDL had not provided any other supporting documents such as stamped agreements, contract notes, VAT payment receipt or any other third party verifiable documents to establish the genuineness of the underlying transactions.

- (v) Further, I also note that DIDL vide its reply dated January 24, 2018 submitted copy of purchase ledger & sales ledger along with invoices & delivery challans for the period 01/04/2016 to 31/03/2017. On preliminary examination, the summary of information provided is as follows:

Particulars	Reported in Annual Report (in Rs.)	Copy of Invoices submitted to SEBI (in Rs.)	% of invoices provided
Purchases	28,45,43,484	28,42,37,424	99.89%
Sales	23,10,80,243	23,04,35,243	99.72%

On sample check of delivery challans of Admire and Ginni, it is noticed that the said delivery challans are with respect to the purchase of “sarees” by DIDL from Admire and Ginni. From “zaubacorp” website it is noticed that both Admire and Ginni are involved in the business of “Monetary Intermediation”. Thus, it raises a prima facie suspicion about the genuineness of invoices & delivery challans submitted.



14. I note that DIDL, at this stage, has failed to submit any third party verifiable documentary evidence in support of its claims. Only ledgers & invoices of the company / subsidiaries and bank account statement of the company / subsidiaries in which counter party details are not available have been submitted. The company has failed to give a plausible reason/explanation alongwith suitable documentary evidences for the allegations / prima facie findings as described in the interim order. I also note that further enquiry/audit in the matter is pending.
15. In view of the above, I find that the facts and circumstances of the case as brought out in the Interim Order have not changed, justifying the dis-continuation/modification/revocation of the directions passed in the Interim Order or warranting any change in the directions passed in the Interim Order.
16. Therefore, in order to protect the interest of investors, based on the *prima facie* findings brought out in the interim order, I note that a forensic audit is required to confirm the genuineness of financials of DIDL and to unearth the entire extent of violations. Further, in view of the *prima facie* evidence on the misrepresentation of financials/business by the company and suspicion of misuse of funds/ the books of accounts, as brought out in the interim order, the persons who are in control of the company and the directors of the company should not be permitted to exit the company particularly in view of suspicion of false submission of documents to SEBI as mentioned at paragraph 13 (a) above. Therefore, the forensic audit and restrictions on promoters/directors, which has been directed vide Interim Order dated September 26, 2017 needs to continue.

ORDER

17. Thus, 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 and in the facts and circumstance of case, hereby confirm the directions contained in the Interim Order dated September 26, 2017.



18. 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.

DATE: OCTOBER 31, 2018

PLACE: MUMBAI



Madhabi Puri Buch

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA