

**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 re Securities and Exchange Board of India (Listing Obligations and Disclosure  
Requirements) Regulations, 2015***

**IN THE MATTER OF**

<b>S. NO.</b>	<b>NAME</b>	<b>PAN</b>
<b>1</b>	<b>Inter Globe Finance Ltd</b>	<b>AAACI5520N</b>

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 pre-emptive interim measures under section 11(1) of Securities and Exchange Board of India Act, 1992 ("SEBI Act"), in respect of certain listed companies identified as "shell companies" by the Ministry of Corporate Affairs including Inter Globe Finance Ltd (hereinafter referred to as "IGFL" / "Company"). In view of the said objective, SEBI vide the said letter dated August 7, 2017 also placed the scrip of IGFL in the trade to trade category with limitation on the frequency of trades and imposed a limitation on the buyers by way of 200% deposit on the trade value, so as to alert them while trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals of the company 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 measures, trading in the scrip was not suspended, but was allowed under strict monitoring so that investors could take informed investment decisions till SEBI and Stock Exchanges complete detailed examination of such companies.
2. Aggrieved by the aforesaid letter dated August 7, 2017 issued by SEBI, IGFL filed an appeal No. 189 of 2017 before Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). Hon'ble SAT vide order dated August 18, 2017 stayed the

operation of the directions contained in paragraphs 1(a) and (b) of the aforesaid letter dated August 7, 2017. Hon'ble SAT also granted liberty to IGFL to make a representation to SEBI against the impugned communication of SEBI dated 07.08.2017, and directed that If representation is made, SEBI shall dispose of the said representation in accordance with law. Hon'ble SAT made clear that this order shall not come in the way of SEBI as well as the stock exchanges to investigate the case of IGFL 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 IGFL on September 13, 2017. The authorized representative of IGFL had appeared for the said hearing and made oral and written submissions.
4. Thereafter, SEBI vide interim order dated March 01, 2018 (hereinafter referred to as "*interim order*"), had modified, subject to para 31 of the interim order, the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against IGFL as under:
  - i. *The trading in securities of IGFL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.*
  - ii. *Exchange shall appoint a forensic auditor inter alia to further verify:*
    - a) *Misrepresentation including of financials and/or business of IGFL and its subsidiaries, if any;*
    - b) *Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.*
  - iii. *The promoters and directors in IGFL are permitted only to buy the securities of IGFL. The shares held by the promoters and directors in IGFL shall not be allowed to be transferred for sale by depositories.*
  - iv. *The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d) as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against IGFL.*
5. Vide the interim order, SEBI had advised IGFL to file its reply/objections to the said interim order within 30 days from the date of receipt thereof 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.

6. Vide an email dated March 01, 2018, a copy of interim order was forwarded to IGFL. Subsequently, a physical copy of interim order was also sent to IGFL on its address on record, and the same was delivered.

### **Reply and hearing**

7. IGFL submitted its reply/objections to the Interim order vide letters dated March 28, 2018. Vide the said letter, IGFL had also requested for personal hearing in the matter. An opportunity of hearing was provided to IGFL on May 16, 2018. However, IGFL vide email dated May 14, 2018 requested for adjournment of personal hearing. Acceding to the said request, the hearing was adjourned to June 20, 2018. However, IGFL vide email dated June 19, 2018 again requested for adjournment of personal hearing on account of sudden demise of authorized representative's grandmother. Acceding to the request of the entity, the hearing was once again adjourned to July 25, 2018, when its authorized representatives appeared and made submissions on its behalf. IGFL also filed two more replies / written submissions vide letters dated July 24, 2018 and October 8, 2018.
8. The reply of IGFL with respect to the specific observations of the interim order is as under:

#### **A. Observation in Interim Order:**

*IGFL in its annual report for FY 2015-16 has disclosed its investment in 6 subsidiary companies namely Inter Globe Projects Ltd. (erstwhile Agon Projects Ltd.), Inter Globe Realty Ventures Ltd. (erstwhile known as Jeevan Rekha Agro Ltd.), Inter Globe Tradex and Services Ltd. (erstwhile known as Jiban Jyoti Multitrade & Services Ltd.) Inter Globe Medical College & Hospital Ltd. (erstwhile known as Sebika Medical College & Hospital International Ltd.), Inter Globe Engitech India Ltd. (erstwhile known as SPD Projects Ltd.) and Inter Globe Realtors Projects India Ltd. (erstwhile known as Subhakamona Realty Project India Ltd.) for Rs. 34.64 lakhs as a non-current investment.*

*However, as per the Share Certificate submitted by IGFL and the shareholding pattern of the 6 subsidiary companies filed with MCA, it is observed that IGFL was*

*not the shareholder in these companies as on March 31, 2016 and the transfer of the shares was registered only on September 01, 2016.*

*The corporate announcement with respect to above investment was also made by IGFL only on September 01, 2016 on Exchange website.*

*In this regard I further note that the company has even failed to submit proof of payment with respect to the aforesaid acquisition of shares when sought for verification.*

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

**IGFL's Reply:**

During November, 2015, we decided to invest in new verticals so as to diversify the business activities of the Company. Accordingly, the Board of Directors in its meeting held on 06.11.2015 decided to invest in 6 different Companies from different sectors (viz. Inter Globe Tradex Ltd, Inter Globe Realty Ventures Ltd, Inter Globe Medical College & Hospital Ltd, Inter Globe Engitech India Ltd and Inter Globe Realtors Projects India Ltd). In pursuance thereto, the board authorized Mr. S K Jain to necessary formalities/ compliances and follow-up with said Companies. For sake of convenience, we would like to elucidate the chronology hereunder:

<b>Date</b>	<b>Particulars</b>	<b>Annexures (if any)</b>
06.11.2015	Board of Directors in its meeting held on 06.11.2015 decided to invest in 6 companies	Copy of Board Resolution dated 06.11.2015 is enclosed.
Nov 2015 – Feb 2016	Our Company purchased the shares of 6 Companies & accounted it under Non-Current Investments in the accounts	Copy of the Share Purchase Bill & proof of payments is collectively enclosed.
05.05.2016	The transfer deed was submitted by our company to 6 companies under covering letter dated 05.05.2016	Copy of letter dated 05.05.2016 is enclosed.

01.09.2016	After necessary formalities were complete, we received the shares of 6 companies on 01.09.2016. We submit that immediately on receipt of shares we made an announcement on BSE for benefit of our shareholders. We submit after transfer was concluded on 01.09.2016; our name was reflected in shareholding pattern of the Company. Thereby, Board of our Company decided to treat 6 companies as subsidiaries in our books of account.	Copy of announcement made on BSE dated 01.09.2016 is enclosed. Copy of shareholding pattern of 6 companies as on 31.03.2017 along with transfer register of 6 companies is enclosed.
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The Company would like to submit that the payment with respect to acquisition of shares were made by way of bank withdrawal against cheque no. 545484 & 587581 dated 13.11.2015 & 06.02.2016 respectively drawn on Karnataka Bank. A copy of the extract of the (original) bank statement of Karnataka Bank showing the necessary withdrawal from the bank account no 4347000300086901 is attached herewith. The summary of transactions along with date of payment out of bank withdrawals is attached.

Further, the following was also enclosed:

- (a) Duly executed and acknowledged sale bill & payment receipts in respect of receipt of payment for sale of shares along with copy of share certificates are enclosed and marked as per Page No 2 to 57.
- (b) Statement of Account provided by the seller duly stamped recording the necessary payments received by the seller in its books of account. Page no. 60.
- (c) Extracts of Annual Accounts of seller (Kashiram Jain & Company Ltd.) for 2015-16 filed with BSE dated 6<sup>th</sup> Oct 2016
  - i. Form AOX -1: Confirming name of companies sold during the year 2015-16. Page No 61
  - ii. Cash Flow statement for the year 2015-16: Confirming money realized from sale of investments. Page No. 62
  - iii. Schedule of Investments: Confirming sale of investments by them. Page No. 63

Rationale and Justification for delay in transfer of shares in our name:

Pertinently, we would like to mention that all the relevant share certificates were in physical form and therefore had required lengthy and time consuming procedure for lodging the share certificates for transfer with respective companies. As per then prevalent provisions of Companies Act, the transfer deed required to be lodged along with share transfer form which are not readily available. Besides, that the procedure of transfer required internal approvals, checks and therefore the share transfer forms were lodged in around 1<sup>st</sup> week of May, 2016.

Pursuant to our lodging of shares and following due process of law by the aforesaid 6 companies, the actual transfer took place on 01.09.2016 and therefore our name as a shareholder in the shareholding of the aforesaid company have been reflected only after 01.09.2016.

In view thereof, it appears to us that the shareholding pattern filed by the aforesaid Companies as on 31.03.2016 our name as a shareholder was not mentioned.

We therefore submit with humility that prima facie suspicion of mis-representation of financials by IGFL as reported is not tenable.

Further, we submit that in our previous reply dated 28.03.2018 we had submitted our documents showing genuineness of our investments. Now additionally, we submit relevant third party documents of Kashiram Jain and Company Limited for your kind and sympathetic consideration.

- (i) Relevant extracts of Annual report of M/s Kashiram Jain & Co. Ltd i.e. Directors Report and Balance Sheet
- (ii) Proof of Annual report submitted to BSE on 06.10.2016
- (iii) Proof of Annual report submitted to ROC on 29.11.2016

**B. Observation in Interim Order:**

*It is noted from the reply of IGFL dated November 10, 2017 that IGFL has made investment in the aforesaid 6 subsidiaries with the “objective of growth in the value of all stakeholders”. However, on perusal of the resolution passed by Board of Directors of these 6 subsidiaries in August 2017, it is observed that the said resolution states that these subsidiaries are being struck off due to “non-operation of the business from 01.04.2016 as well as not intending to do any business or commercial activity”. In view of the same, it is apparent that these subsidiary*

*companies had not carried out any business activity prior to the date of investment by IGFL on September 01, 2016 and raises serious doubt on IGFL's stated purposes of the said investment i.e. growth in the value of all stakeholders. In view of the above observations, the investment in aforesaid subsidiaries by IGFL prima facie appears not to be in the interest of the shareholders.*

**IGFL's Reply:**

Company had decided to invest in 6 companies ((viz. Inter Globe Tradex Ltd, Inter Globe Realty Ventures Ltd, Inter Globe Medical College & Hospital Ltd, Inter Globe Engitech India Ltd and Inter Globe Realtors Projects India Ltd) during the month of November-2015 when the said Companies were functional.

IGFL's Board decided to invest in the said companies so as to diversify our operations as well as risks. The Board was confident that said companies (even though small in size/operation) shall help the Company in achieving its long term objective of diversification/ growth.

At the relevant time, the net-worth of our Company was around 92.8 crores. We submit that the investment in 6 companies was for Rs. 34.64 lakhs which constitutes meagre 0.36% of overall net-worth of our company. We submit that investing in 6 companies was pure investment decision to create value for shareholders and thus no adverse inference ought to be drawn qua us.

The investments were known to shareholders and no objections were raised. The promoters holding in the company for past many years has been more that 70% and they have been working towards enhancing shareholders wealth including minority shareholders & regularly paying dividends for many years. This shows that the conduct of the management of the company has always been in favour of minority shareholders.

However, we would like to submit that due to health issue of Managing Director of our Company decided to concentrate on core business activity of our Company. Consequently, the subsidiaries were subsequently closed and an amount of Rs 29.17 lakhs were realized.

With deep regrets, we would like to submit that our Managing Director Shri Suresh Jain passed away after prolonged illness in February-2018. A copy of death certificate of Shri Suresh Jain & realization details is enclosed.

**C. Observation in Interim Order:**

*I note that the aforesaid subsidiary companies applied for strike off of their name with Registrar of Companies, West Bengal on September 12, 2017 and in this regard the resolution was passed by the board of directors of subsidiaries on August 07, 2017, August 08, 2017 and August 09, 2017. However IGFL made corporate announcement to discontinue these companies as subsidiaries on August 29, 2017. This appears to be probable delay in disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.*

**IGFL's Reply:**

We would like to submit that in their Board meeting held on 07.08.2017, 08.08.2017 and 09.08.2017, the aforesaid 6 companies decided to discontinue their business and seek IGFLs approval before applying for strike-off with ROC. Thereafter, our Company was intimated/ informed about their desire to discontinue business. Accordingly, the same was put before Board of our company on 29.08.2017. After due consideration our Board accorded its approval to 6 companies for going ahead with their decision. We submit that immediately after our Board meeting; our Company intimated the decision of Board to BSE on same day itself. Thus, in our humble submission, there is no 'probable' delay in disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

We hereby submit a copy of corporate announcement dated 29.08.2017 made on BSE by our Company and ROC application form of 6 companies dated 12.09.2017 which is enclosed.

**D. Observation in Interim Order:**

*It is observed that IGFL had purchased shares of Inter Globe Overseas Ltd. and Inter Globe Realty Ltd. from three group companies namely Inter Globe Capital Market Ltd., Inter Globe Cart Air Ltd and Inter Globe Infralog ltd. in the F.Y. 2015-16 through off-market transactions amounting to Rs. 10.69 crore. In this regard IGFL has submitted bank statement highlighting the payment of these amounts. The details of the purchase transaction is as mentioned below:*



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

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

#### **IGFL's Reply:**

We submit that as a business philosophy the Board of Directors of Company have the highest regard for statutory compliance and laws of the land. We submit that the Board of Directors of our Company in its meeting dated 29.08.2017 were appraised that though related party transaction was made as per AS 18 issued by ICAI but inadvertently certain discrepancy has crept in; the Board immediately decided that the same should be rectified. In view thereof, the Company suo moto decided that necessary disclosure be made for benefit of shareholders and an application for compounding be filed with Registrar of Companies in Form GNL - 1 as per Section 129 of Companies Act 2013. A copy of application made with ROC and a copy of Board Resolution dated 29.08.2017 is enclosed.

We humbly submit that we had no intention or purpose to hide any transaction of the Company. In fact, we acted with honesty/integrity, and suo moto made application with ROC and informed all stakeholders when a human error was noticed as aforesaid.

We would like to further submit that Directors of our Company duly informed the shareholders about inadvertent error and rectification steps taken by us at the Annual General Meeting held on 26.09.2017. A copy of minutes of AGM filed with BSE dated 26.09.2017 is enclosed.

We submit that Board of Directors of our Company in its meeting dated 29.08.2017 were appraised that though related party transaction was made as per As 18 issued by ICAI but inadvertently certain discrepancy has crept in; the Board immediately decided that the same should be rectified. In view thereof, the Company *suo moto* decided that necessary disclosure be made for benefit of shareholders and as a statutory compliance, an application for compounding be filed with Registrar of Companies in Form GNL – 1 as per Section 129 of Companies Act 2013. Copies of ROC application, board resolution and copy of AGM minutes filed with BSE dated 26.09.17 were already submitted in our reply dated 28.03.2018.

Factually, we submit that the aforesaid unintentionally left out on the part of the professional handling the matter and when realized it was disclosed to the shareholders and also to the stock exchange. Further, on realizing the lapse on our part, a compounding application was filed with ROC on 25.09.2017. A copy of status of our compounding application is hereto enclosed.

Hence, in view of the aforesaid peculiar facts and circumstances we request that no adverse inference is to be drawn against us in this regard.

**E. Observation in Interim Order:**

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

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

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

*submitted by IGFL, there appears prima facie suspicion of mis-representation of financials by the company.*

**IGFL's Reply:**

We would like to submit that in our reply to SEBI's email dated 24.11.2017 we had duly disclosed the sale of shares worth Rs. 3.43 lakhs to Inter Globe Engitech Ltd. However, the same was inadvertently mentioned under the head "Others". We hereby submit the invoice for sale of shares worth Rs. 3.43 lakhs to Inter Globe Engitech Ltd which is enclosed.

Further, w.r.t disclosure pertaining to Inter Global Medical College & Hospitals Ltd we would like to submit that as mentioned hereinabove, we have filed an application for compounding be filed with Registrar of Companies in Form GNL - 1 as per Section 129 of Companies Act 2013.

Further, w.r.t non furnishing of share certificate {documentary evidence} for sale of shares we would like to submit that vide SEBI'S email dated 24.11.2017 "Supporting invoices and bank statement highlighting the sale transaction" were sought from us. We humbly submit that copy of share certificate was not sought from us and thus was not provided at relevant time. Be that as it may, for your kind perusal, we hereby submit a copy of certificate which is enclosed.

**F. Observation in Interim Order:**

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

*recoverability of the amount is ab initio questionable, raises a serious doubt on the genuineness of the said sale transaction.*

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

### **IGFL’s Reply:**

We would like to submit that during 2016-2017; our Board of Directors adopted a strategy to concentrate on its core business of lending. The Board identified Micro Finance and 2 Wheeler loans as key area of business. We submit that the same was informed to shareholders through management discussion and analysis report in our Annual Report 2016-2017 (Ref: Page 13 to 14 of Annual Report). The same was informed to shareholders on 30.05.2017 via press release on BSE. A copy of relevant Page 13 to 14 of Annual Report 2016-17 is enclosed and press release dated 30.05.2017 is also enclosed.

In order to focus on core business area, the Board thought it prudent to reduce trading portfolio and transfer shares of Inter Globe Overseas Ltd & Inter Globe Realty Ltd to subsidiaries as they were to be held for long term to realize its true value. The board considered it prudent to transfer the shares to its wholly owned subsidiary where the risk factor is zero. Since almost all the shares were held by IGFL's subsidiary they were no risk on non-realization of any amount from subsidiary. Also the shares were transferred to investments and then sold to subsidiaries at cost there were no revenue impact and no profit or loss made by such transaction.

We would like to further submit that prior information of sale of investments to Inter Globe Tradex & Services Ltd. was also shared with shareholders & BSE vide our submission no.28112016427157 dated 28<sup>th</sup> Nov 2016, copy of the same is attached & the same was also disclosed in related party transaction in 2016-17 financial statement.

The shares were sold by IGFL in the interest of the company & prior information was also shared with shareholders & BSE vide our submission dated 28<sup>th</sup> November 2016, which was explained in our reply dated 28.03.2018. In furtherance to our submission, we submit a Chartered Accountant's certificate which states that the necessary procedure and process as required for the said transaction had been bonafide carried out and there was no lapse of any nature in this regard. We submit that no adverse inference be drawn against us in this regard. A copy of the Chartered Accountant's certificate is hereto enclosed.

**G. Observation in Interim Order:**

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

*As per Regulation 23 (4) SEBI (LODR) Regulations 2015 "All material related party transactions shall require approval of the shareholders through resolution..". However, it is observed that IGFL has not taken any approval of shareholder for the above related party transaction in violation of the said provisions of SEBI (LODR), 2015 and has not made any announcement related to this transaction on the Exchange website. The same is also confirmed by BSE vide mail dated February 02, 2018. The failure to take any approval of shareholder for the above*

*material related party transaction prima facie leads to evidence of misuse of funds by IGSL.*

*Further, BSE has also observed that while the notice of 24<sup>th</sup> AGM of IGFL to be held on September 26, 2017 provided for the consent/approval of members in relation to the related party transaction relating to financial year ending March 31, 2017 i.e. during the period between April 01, 2016 to March 31, 2017, the outcome of the AGM held on September 26, 2017 mentions that the authorization of related party transactions is for transactions entered after April 01, 2017. From the above, it is evident that the shareholders did not approve the loan agreement of IGFL with Suresh Kumar Pramod Kumar (HUF) dated December 01, 2016 to provide loan upto Rs. 15 crore. The fact that IGFL entered into material related party transaction without any approval of shareholders prima facie leads to evidence of misuse of funds by IGSL.*

#### **IGFL's Reply:**

We would like to submit that Board of Directors in its meeting held on 28.11.2016 decided to sanction loan application of Suresh Kumar Pramod Kumar (HUF) upto Rs. 15 crore. Copy of extract of board resolution dated 28.11.2016 is enclosed. However, we submit that loan upto Rs. 15 crore was sanctioned and not disbursed to Suresh Kumar Pramod Kumar (HUF).

During the year 2016 – 2017, our Company had disbursed Rs. 6.88 crore to Suresh Kumar Pramod Kumar (HUF) the details of which were filed with SEBI vide our reply dated 12.01.2018. The transaction was also disclosed as related party transactions to shareholders in our 2016-17 annual accounts. We submit that the said loan amount was less than 10% revenue of Company and thus no approval from shareholder was required for same. We submit that lending of loans is normal business of our company and this related party transaction amounted into normal course of business and the company collected interest from this loan as well.

Further, during the year 2017-18 the loan amount disbursed to Suresh Kumar Pramod Kumar (HUF) exceeded 10% of revenue of Company for which approval of shareholders was duly taken which has also been correctly observed/ recorded by BSE in its email dated 02.02.2018 (as mentioned hereinabove). Thus, no adverse inference be drawn *qua* us in this regard.

We submit that in the Interim Order, the authorities have ignored to note that the said amount was given as a loan which earned interest @ 10% p.a. and the said amount was fully recovered and repaid by Suresh Kumar Pramod Kumar HUF along with interest and therefore it is not correct to state that there was misuse of funds by IGFL.

With regard to disclosure not made as per LODR requirements, we submit that the board of directors in its meeting held on 28.11.2016 approved loan sanction of up to Rs 15 cr with a threshold limit of 10% of turnover beyond which shareholder's approval was required. The loan disbursement during 2016-17 was within the above threshold limit & when the transactions crossed the threshold limit of 10%, shareholders approval for 2017-18 was taken which has been properly recorded in you order under Para 24 (g) and the same has been confirmed by BSE to SEBI vide its email dated 02.02.2018. In respect thereto, no adverse inference be drawn against us in this regard. Further, in support of our submission, we enclose herewith Chartered Accountant's certificate to bring the details of the transactions executed by IGFL.

### **Consideration of issues**

9. In light of the observations of the interim order and the submissions made by IGFL, the following issue arises for consideration:

***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 against the company vide the interim order need to be confirmed, revoked or modified in any manner?***

10. Considering the above mentioned facts and circumstances and the replies of IGFL to the findings of the *interim order*, I observe the following:

### **Regarding the investment in 6 subsidiary companies**

- IGFL has submitted that the 6 companies were acquired between November 2015 and February 2016. Further, the payment for the same was made in November 2015 and February 2016. Hence, the justification for delay in filing of lodging of transfer (i.e. in May 2016), because of unavailability of share transfer form and because the procedure of transfer required internal approvals, is inadequate.



- Further, the proof of payment submitted is that cash was withdrawn from bank and the same was given as consideration to sellers with respect to which receipt has been given by the seller(s). However, the same is not routed through banking channel, hence, the veracity of payment cannot be verified.
- Moreover, Regulation 30 (6) of SEBI (Listing Obligation and Disclosure Requirements), 2015 (“LODR Regulations”) states that the listed entity shall first disclose to stock exchange(s) all events, as specified in Part A of Schedule III, or information as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information. Hence, if it is IGFL’s case that the 6 companies were acquired in November 2015 and February 2016, then IGFL has not submitted justification for delay in disclosure to BSE (announcement was made to BSE on September 1, 2016).

From the above, it is noted that there is lack of transparency and the evidence placed before SEBI in order to prove the aspect of payment to the subsidiaries is doubtful in nature. In respect of acquisition of shares of the companies shown as subsidiaries by IGFL. Further, disclosures in that regard under the LODR Regulations have also been delayed. Thus, IGFL has not been able to submit adequate justification (backed by sufficient documentary evidence) to refute the observation of suspicion regarding misrepresentation of financials w.r.t. investments in subsidiaries.

#### **Regarding closure of subsidiaries on account of non-operation.**

The relevant board resolution of IGFL for investment in subsidiaries, dates to the month of November 2015, however, the share certificate indicates that the name of IGFL appears as shareholder of 6 companies from September 1, 2016. The transfer formalities were initiated in May 2016 which is after the date when the 6 companies were declared to be non-operational from April 1, 2016. Further, merely few months after the resolution to acquire the 6 companies, the same turned non-operational. It is noted that in the interim order, the observation was that in light of the findings discussed therein, the investment in the 6 subsidiaries did not appear to be in the interest of the shareholders. Even considering the submission of IGFL that the investments in companies, which became non-operational before the transfer formalities were even initiated, formed a very small percentage of the total net worth of IGFL, it is not clear from the explanations of IGFL as to how the said

investments were in the interest of shareholders and how they were in line with the objects of the company.

**Regarding striking-off subsidiaries' name from RoC's records.**

IGFL has submitted that the Board of 6 companies decided to discontinue their business and seek IGFL's approval before applying for strike-off with ROC. Accordingly, the same was put before Board of IGFL on August 29, 2017. The Board of IGFL accorded its approval to 6 companies for going ahead with their decision and subsequently, intimated the decision of Board to BSE on same day itself.

In this regard, it is noted from the Extract of the Board Minutes dated August 07, 2017, August 08, 2017 and August 09, 2017 of each of the said 6 companies that their respective Boards had resolved that the name of the company be struck off from ROC due to non-operation of business from 01.04.2016. Further, the statement pursuant to Section 102 of the Companies Act, 2013 annexed to the Notice (dated August 07, 2017, August 08, 2017 and August 09, 2017) of Extra Ordinary General Meeting of each said company states that the Board of the company has decided to strike off the company from ROC and the aforesaid resolution is recommended to Shareholders for consideration and approval.

The details of the person who signed the Board Resolution and the said explanatory statement annexed to the Notice of the said companies are as follows:

<b>S. No.</b>	<b>Name of the Company</b>	<b>Name of the Director who signed the Board resolution and explanatory statement annexed to the Notice</b>	<b>Date of Signature for both documents</b>	<b>Whether the person who signed the document is a director of IGFL for FY 2016-17 and 2017-18 as per the Annual Report on Exchange website</b>
	Inter Globe Medical College & Hospital Ltd	Pramod Kumar Jain	07.08.2017	No

<b>S. No.</b>	<b>Name of the Company</b>	<b>Name of the Director who signed the Board resolution and explanatory statement annexed to the Notice</b>	<b>Date of Signature for both documents</b>	<b>Whether the person who signed the document is a director of IGFL for FY 2016-17 and 2017-18 as per the Annual Report on Exchange website</b>
	Inter Globe Realty Ventures Ltd	Suresh Kumar Jain	07.08.2017	Yes
	Inter Globe Projects Ltd	Suresh Kumar Jain	07.08.2017	Yes
	Inter Globe Realtor Project India Ltd	Anirban Dutta	09.08.2017	Yes
	Inter Globe Engitech Ltd	Anirban Dutta	07.08.2017	Yes
	Inter Globe Tradex & Services Ltd	Anirban Dutta	08.08.2017	Yes

As per Annexure 6 of 1<sup>st</sup> reply, IGFL holds around 99% of the shares in each of the aforesaid 6 companies. Hence, IGFL was a major shareholder and a holding company for these 6 companies. Any major decision such as discontinuation from their business and strike off of name from MCA would be intimated in advance to all shareholders and more importantly to holding company (in the instant case IGFL is a holding company and 6 companies are subsidiary companies). Further, being a holding company with around 99% shareholding, it is assumed that IGFL would have control over the decisions of the Board of 6 subsidiary companies. Moreover, directors of IGFL in five of the six companies are common. The decision to strike off the name of the subsidiary company was taken in presence of the director(s) of IGFL.

Hence, the corporate announcement made by IGFL on August 29, 2017 to discontinue these companies as subsidiaries still appears to be with delay in disclosure requirements under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

### **Regarding purchase of shares from related parties**

IGFL has submitted that a copy of application made with ROC for compounding, however, it is still not clear as to how IGFL has rectified the disclosures as the name of the companies appear but the amount does not match. Further, the corporate announcement dated August 31, 2017 on the BSE website regarding the notice of AGM to be held on September 26, 2017, the minutes of the AGM dated September 26, 2017 and the copy of Board Resolution dated August 29, 2017 do not provide details of the amount and the related party name which needs to be rectified. Hence, the explanation seems to be incomplete.

Further, the Board meeting where resolution was passed took place on August 29, 2017 but the submission to exchange took place on September 26, 2017 (i.e. when IGFL's AGM was held) which is after almost 1 month.

### **Regarding sale of shares by IGFL to its related parties.**

IGFL has admitted that:

- In case of sale of shares to Inter Globe Engitech Ltd., IGFL has inadvertently mentioned the same under the head "Others". Further, they have submitted the invoice for sale of shares worth Rs. 3.43 lakhs to Inter Globe Engitech Ltd
- In case of disclosure pertaining to Inter Global Medical College & Hospitals Ltd, the company has submitted that they have filed an application for compounding with Registrar of Companies in Form GNL - 1 as per Section 129 of companies Act 2013 in September 2017.

### **Regarding sale / repurchase of shares to / from Inter Globe Tradex & Services Ltd.**

- The company has submitted that it had sold shares to its subsidiary as to focus in their core business of lending. Moreover, the shares were sold in November 2016 to focus on their core business of lending, however, it received back the shares post March 2017. The sale and purchase of shares by IGFL at such short intervals particularly straddling a year-end reporting raises questions about the

motive behind the transactions. Further, no justification has been provided by IGFL as to what has changed just after March 2017 that IGFL had to repurchase the shares from the same subsidiary.

- A subsidiary company is a different entity from the holding company. In the instant case, IGFL sold shares to IGTSL and subsequently received back the shares stating that since almost all the shares were held by IGFL's subsidiary there was no risk of non-realization of any amount from subsidiary. However, to be sure of recoverability of amount and to ensure that any business decision is taken in the interest of investors, proper due diligence has to be conducted. Hence, the rationale provided by company that as the amount was due from a subsidiary and there is no risk of non-realization is unacceptable.
- Further, no explanation has been provided with respect to sale not been shown as sale of shares in relation to unquoted shares sold (which formed part of Inventories in the year 2015-16).

In view of the above, I find that there is still a doubt on the genuineness of the transaction with Inter Globe Tradex & Services Ltd. and a suspicion regarding misrepresentation of financials in that regard.

#### **Regarding loan given to Suresh Kumar Pramod Kumar (HUF):**

It is noted that in respect of the loans given to Suresh Kumar Pramod Kumar (HUF), it has been observed in the interim order that *“The fact that IGFL entered into material related party transaction without any approval of shareholders prima facie leads to evidence of misuse of funds by IGSL.”*

In response to the above finding, IGFL in its reply has submitted *“we submit that the board of directors in its meeting held on 28.11.2016 approved loan sanction of up to Rs 15 cr with a threshold limit of 10% of turnover beyond which shareholder’s approval was required. The loan disbursement during 2016-17 was within the above threshold limit & when the transactions crossed the threshold limit of 10%, shareholders’ approval for 2017-18 was taken which has been properly recorded in you order under Para 24 (g) and the same has been confirmed by BSE to SEBI vide its email dated 02.02.2018. In respect thereto, no adverse inference be drawn against us in this regard.”*

It is noted that in connection with the aforesaid loans, the applicable regulation (also mentioned in the interim order) is regulation 23 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015. Explanation to Regulation 23 (1) of the said regulation states that “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.*”

Accordingly, for consideration of a material transaction, the regulation includes “*transaction to be entered*”. In the present case, as the Board of IGFL had sanctioned a loan for more than 10% of its annual consolidated turnover, the transaction would fall within the purview of the Regulation. Thus, the submission that shareholders’ approval was not taken when only Rs. 6.88 crore was disbursed to Suresh Kumar Pramod Kumar (HUF) during the year 2016 – 2017 by the Company out of the sanctioned amount, proceeds on an incorrect interpretation of the above mentioned provision. However, at the same time, in light of the submissions made by IGFL, *prima facie* it does not appear that the same was done with an intent to conceal the related party transactions / misuse funds. The said inference is also corroborated by the subsequent shareholders’ approval, requisite disclosure to the stock exchange and the recovery of the loan in full at a later date. In view thereof, I am inclined to hold that there is no *prima facie* evidence of misuse of funds by IGFL in this regard.

11. It is noted that subsequent to the interim order, IGFL was given opportunities to submit its explanations in respect of the observations made in the interim order and it has filed replies in that regard. In respect of several transactions noted in earlier paragraphs, IGFL has provided insufficient explanation / justification, which is not backed by independently verifiable documentary evidence. With regard to the wrong categorizations in the financials of IGFL that have been highlighted in the interim order, IGFL has admitted that the same were errors. It has offered no explanation as to why such errors (as claimed) had crept in its financials. It also failed to give any reason as to why the said errors did not come to its notice till the time SEBI highlighted the same.

12. In view of the above, I find that except in respect of the findings regarding misuse of funds, the facts and circumstances of the case as brought out in the *interim order* have not changed, so as to justify the complete revocation of the directions issued in the interim order. However, in light of the findings regarding no *prima facie* evidence of

misuse of funds, I am incline to remove the restrictions placed on the promoters and directors of IGFL regarding sale of securities of IGFL.

## **ORDER**

13. In view of the foregoing, I, in exercise of the powers conferred upon me under sections 11, 11(4), 11A and 11B read with section 19 of the Securities and Exchange Board of India Act, 1992 hereby confirm the directions issued against IGFL to the extent that forensic audit directed vide interim order dated March 01, 2018 shall continue.
14. The directions prohibiting sale of shares of promotes and directors of IGFL issued vide the interim order dated March 01, 2018 are hereby revoked.
15. This order is without prejudice to any other action that SEBI may take against IGFL, its promoters and directors in accordance with law upon completion of forensic audit in the matter.
16. Copy of this Order shall be forwarded to the recognized stock exchanges 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.

Sd/-

**DATE: December 27<sup>th</sup>, 2018**

**PLACE: MUMBAI**

**MADHABI PURI BUCH**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**