

**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 Sanco Industries Ltd.

Background of case:

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) was in receipt of a letter no. F. No. 03/73/2017-CL-II dated June 9, 2017 from the Ministry of Corporate Affairs (hereinafter referred to as “MCA”) vide which MCA had annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA had also annexed the letter of Serious Fraud Investigation Office (hereinafter referred to as “SFIO”) dated May 23, 2017 which contained the database of shell companies along with their inputs.
2. SEBI as a market regulator is vested with the duty under section 11(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) to protect the interests of the investors in securities and to promote the development of and regulations of securities markets by appropriate measures as deemed fit.
3. SEBI was of the view that the companies identified as shell companies by SFIO and MCA were potentially involved in:
 - (a) Misrepresentation including that of their respective financials and businesses and possible violations of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “LODR Regulations”) and/or
 - (b) Misusing their respective books of accounts/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore

renege on the fiduciary responsibility cast on the board, controlling shareholders and key management person (KMP)

4. SEBI was also of the view that investors should be alerted on the possible enforcement actions by various authorities leading to potentially significant impact on the price of the stock.
5. Therefore, in the interest of investors, SEBI took the pre-emptive interim measures under section 11(1) of SEBI Act in respect of listed shell companies including Sanco Industries Ltd. (Hereinafter referred to as "SIL" / "Company"), vide its letter dated August 7, 2017, based on the view stated at para 3 and 4 above. SEBI placed trading restrictions on 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 letter dated August 7, 2017 also placed the scrip in the trade to trade category with limitation on the frequency of trades and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them on trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals by the stock exchanges, including by way of audit and forensic audit, if necessary. The measures also envisaged, on the final determination, delisting of companies from the stock exchange, if warranted. By virtue of these measures, trading in the scrip was not suspended but allowed under strict monitoring so that investors could take informed investment decisions till SEBI and stock exchanges complete their detailed examination of such companies.
6. Pursuant to the above, the Stock Exchanges vide notice dated August 7, 2017, addressed to all its market participants, initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed companies as identified by MCA and communicated by SEBI, with effect from August 8, 2017.
7. On August 09, 2017, SEBI further advised the Stock Exchanges to submit a report after seeking auditor's certificate, from all such listed companies, providing the status of certain aspects of the company like company's compliance with Companies Act, whether company is a going concern, its business model, status of compliance with listing requirements, etc.

8. Vide its letter dated August 08, 2017, SIL made a representation, *inter alia*, submitting as under:

“Please refer to your letter no. SEBI/HO/ISD/OW/2017/18183 dated 7th August 2017 addressed to various stock exchanges, inter alia calling upon them to take certain steps as enunciated in the said letter. It is submitted that our name has been mentioned at item no.238 in the said list of 331 companies attached therewith.

We would like to bring in your kind notice that we are not a Shell company as you alleged on the list of shall companies as annexed in your circular referred above

We are a core industry in the manufacturing of various plastic & Electrical products since 1986 and generating healthy revenue and net profits as well. Currently we have strength of approx 135 employees in our company and paying regularly their EPP & ESI on their salary and wages. We are also regular in paying various state and central government taxes amounting in Crores over the revenue of more than 100 crore. Beside all the taxes we regularly paying huge amount of electricity bill on our consumption in our manufacturing unit. Our operation is in approximately 8 states on pan India.

We have not received any single notice from any department. The said declaration of company name in circular will adversely affect our financials and business and this is a violation of principals of natural justice.

We have approx. more than 850 shareholders in our company and our scrip is actively traded on NSE and also we have no complaint from any of the Investors. As such keeping us in "Shell Company" list is totally wrong and unjustified.

It is submitted that in terms of para (C) contained in your letter exchange sought to have initiated process of verifying credentials of our company which has not been done and our shares are placed in stage VI. This has caused serious prejudice to the company as well as its shareholders. That such an exercise of powers by SEBI is totally uncalled for and unwarranted in so far as our company is concerned.

That under the circumstances we call upon you to forthwith withdraw such direction on our company and same to be placed under normal trading as was being done.

You are hereby requested to remove our name as our company is a working company.”

9. Subsequently, vide another letter dated August 16, 2017, SIL in continuation with its earlier letter, furnished figures such as revenues, total income tax, total sales tax, total salary and wages paid, etc. for the previous 3 financial years. SIL vide the said letter, submitted that these figures show that it is a profit earning company and thus, its name should be removed from the list of “shell company”.
10. Thereafter, vide letter dated August 22, 2017, SEBI sought the following information from SIL:

“1. Connection with Mr. Atul Hiralal Shah and/or Mr. Anil Hiralal Shah and details of any dealings of the Company with or through Mr. Atul Hiralal Shah and/or Mr. Anil Hiralal Shah, either directly or indirectly, and the nature and quantum thereof. You are advised to provide all the relevant documents in respect of the above information. Also provide the details of MoUs, if any, signed by the company with aforesaid entities/their associates

2. Details of employees on the rolls of the Company, their respective roles, remuneration received qualifications and experience for the job. Details of Provident Fund contributions made by the Company for the aforesaid employees. For ease of furnishing the information, broad categories of roles: Blue collar, Junior management, Middle management, senior management, may be given in a consolidated manner.”

11. SIL, vide its letter dated August 26, 2017 filed the following response to the above letter:

Reply to Query 1: “This Company has no connection with any Mr. Atul Hiralal Shah and/or Mr. Anil Hiralal Shah by way of customer/supplier and shareholder/promoter & promoter group and employee or any other manner and also never ever been in any dealings with or through Mr. Atul Hiralal Shah and/or Mr. Anil Hiralal Shah

either directly or indirectly. Company has no relation or concerned with aforesaid persons and/or their associates/entities”.

Reply to Query 2: “We enclose herewith consolidated details as Annexure 1 of all employees on the rolls of the company along with their roles, salary/Remuneration and experience & qualification. Provident Fund contribution by the company is being paid regularly as per rule and slab of EPF applicable on such employees. Details of provident fund contributions made by company in last 3 years in addition to employees contribution is given here under:

EPF PAID	2014-15	2015-2016	2016-2017
	<i>Rs. 7,55,892.00</i>	<i>Rs. 6,64,833.00</i>	<i>Rs. 8,72,356.00</i>

12. The National Stock Exchange of India Ltd. (“NSE”) in pursuance of the above mentioned letter of SEBI dated August 9, 2017 submitted its report on September 27, 2017 wherein it has *inter alia* observed the following:

“The compliance record and other details submitted by the company as per SEBI prescribed format suggest that the company Sanco Industries Limited may be allowed to be traded on NSE.”

13. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and NSE, SIL filed an appeal No. 218 of 2017 before Hon’ble Securities Appellate Tribunal (hereinafter referred to as “SAT”). Hon’ble SAT vide order dated August 17, 2017 directed the following:-

“1. Without conducting any investigation and without hearing the appellant, whether the Securities and Exchange Board of India (“SEBI” for short), solely based on the letter dated 09.06.2017 received from the Ministry of Corporate Affairs (MCA), is justified in passing the ex-parte order on 07.08.2017 and directing the stock exchanges to treat, inter alia, the appellant company as a ‘suspected shell company’ and suspend the daily trading in the securities of the appellant company on the stock exchanges by moving the securities of the appellant company to Stage VI of Graded Surveillance Measure (“GSM” for short) is the question raised in this appeal.

2. Similar question was raised in the case of *J. Kumar Infraprojects Ltd. (Appeal No. 174 of 2017)* and by our order dated 10.08.2017 we have stayed direction 1(a) & (b) contained in the impugned communication of SEBI dated 07.08.2017 qua the appellant therein.

3. In view of the facts set out in the Memorandum of Appeal and other documents tendered at the time of hearing relating to annual turnover of the appellant company for last three years, which even according to SEBI prima facie appear to be correct, we extend the said stay to the case of the appellant company herein and direct the stock exchanges to reverse their decision in respect of the appellant company as expeditiously as possible.

4. Appellant company has already made a representation to SEBI against the impugned communication of SEBI dated 07.08.2017. SEBI is directed to dispose of the said representation in accordance with law.”

14. Hon'ble SAT in the matter of *J. Kumar Infra Projects Limited vs. SEBI* (order dated August 10, 2017) held that the measure taken by SEBI vide its letter dated August 07, 2017 was in the nature of *quasi-judicial* order and the same has been passed without investigation. Without prejudice to the powers enumerated in section 11(1) of SEBI Act, SEBI has been granted power under section 11(4) and 11B of SEBI Act, 1992 to pass order in the interests of investors or securities market by taking any of the measures enumerated therein either pending investigation or inquiry or on completion of such investigation or inquiry. The inquiry under section 11B of the SEBI Act can also be caused to be made by SEBI.

Hearing and Reply:

15. An opportunity of personal hearing was granted to SIL on September 13, 2017 when its authorized representative appeared and made oral submissions in line with its written representations. SIL was asked to provide the information / response on the following points (supported by documentary evidence) as early as possible and latest by September 19, 2017:

- “1. *Payment Challans for Provident Fund for the financial year 2016-17 & 2015-16.*
2. *Separate affidavits by Mr. Sanjay Gupta, Mr. Sidhant Gupta, Ms. Shakuntla Gupta, Ms. Rita Gupta and Ms. Mansi Gupta mentioning “Whether at any point*

they knew or had spoken to Shri Atul Hiralal Shah or Shri Anil Hiralal Shah; if yes, details of what it was regarding.”

3. *Breakup and backup documents (such as sales agreement, purchase order, etc.) to support the following:*

a. Top 10 clients to Turnover (revenue from operations) for FY 2016-17 and FY 2015-16.

b. Top 10 suppliers (purchases of stock in trade) for FY 2016-17 and FY 2015-16.

c. Top 10 trade receivables and trade payables (for both current & non-current) for FY 2016-17 & FY 2015-16.

d. Top 10 advance to suppliers for FY 2016-17 and FY 2015-16.

e. Others assets (i.e.Rs.216.39 lakhs) under other non-current assets.

“Values” may be used as a method for identifying the Top 10.”

16. SIL filed its response to the queries / information sought from it during the hearing on September 18, 2017. The query-wise response of SIL is as under:

Query 1: *Payment Challans for Provident Fund for the financial year 2016-17 & 2015-16.*

- Company provided copy of payment challans for Provident Fund for the financial year 2016-17 and 2015-16.

Query 2: *Separate affidavits by Mr. Sanjay Gupta, Mr. Sidhant Gupta, Ms. Shakuntla Gupta, Ms. Rita Gupta and Ms. Mansi Gupta mentioning “Whether at any point they knew or had spoken to Shri Atul Hiralal Shah or Shri Anil Hiralal Shah; if yes, details of what it was regarding”.*

- Company submitted the said affidavits

Query 3: *Breakup and backup documents (such as sales agreement, purchase order, etc.) to support the following:*

a. Top 10 clients to Turnover (revenue from operations) for FY 2016-17 and FY 2015-16.

b. Top 10 suppliers (purchases of stock in trade) for FY 2016-17 and FY 2015-16.

c. Top 10 trade receivables and trade payables (for both current & non-current) for FY 2016-17 & FY 2015-16.

d. Top 10 advance to suppliers for FY 2016-17 and FY 2015-16.

- e. *Others assets (i.e.Rs.216.39 lakhs) in FY 2016-17 under other non-current assets.*
- Company submitted the break-up in respect of the above heads but did not submit all the relevant back up documents.

17. The reply filed by SIL was scrutinized and it was observed that it had provided insignificant documents w.r.t. sales and purchases invoices. Therefore, an e-mail dated November 06, 2017 was sent to SIL to furnish all invoices to support sales and purchases w.r.t. Top 10 clients and suppliers, respectively. Vide the said mail, SIL was also asked to provide the following additional information :

- i. *Bank statement(s) of company highlighting the following*
 - a. *Receipts and Payments to top 10 clients and suppliers for FY 2016 -17 & FY 2015-16.*
 - b. *Receipt of Rs.216.39 lakhs from M/s. Sanco Enterprises Pvt. Ltd.*
 - c. *The payment(s) made to M/s. PKG Marketing Pvt. Ltd., during FY 2016-17.*
- ii. *Reconciliation Statement for sales i.e. sales made, amount(s) received and balance receivable from top 10 clients for FY 2016-17 & FY 2015-16.*
- iii. *Reconciliation Statement for purchases i.e. purchases, amount(s) paid and balance payable to top 10 suppliers for FY 2016-17 & FY 2015-16.*
- iv. *From the reply, it appears that there are no purchase transactions with M/s. PKG Marketing Pvt. Ltd. (PKG) during FY 2016-17. Please provide an explanation for advance of Rs.3.55 crore (as on 31-03-2017) given to PKG.*

18. In response to SEBI's mail dated November 6, 2017, SIL filed its reply vide e-mail dated November 8, 2017. Thereafter, another email was sent to SIL on November 29, 2017 to provide supporting documents and/or explanation for the following:

- i. *An explanation for deviations between Sales (figures) as per Annexure III of company's reply dated September 18, 2017 & sales as per ledger accounts and missing invoices of purchase & Sales.*
- ii. *An explanation for not considering M/s. ISR Electronics Pvt. Ltd. in the top 10 clients to sales.*
- iii. *An explanation for deviation of Rs.0.45 crore in Advance to suppliers (PKG Marketing Pvt. Ltd.). Further, the company is also required to provide the purchase invoices or bank statement(s) highlighting the amount recovered from PKG Marketing Pvt. Ltd. during FY 2017-18.*

- iv. *With respect to transaction of Rs.216.39 lakhs (investment sold to M/s. Sanco Enterprises Pvt. Ltd.), the company is advised to provide the supporting document(s).*
19. SIL vide its e-mail dated December 2, 2017 filed its response to SEBI's mail dated November 29, 2017. Subsequently, separate mails were sent to SIL by SEBI in December 2017 to provide further supporting documents and/or explanation on information furnished by it. SIL filed its responses to these mails which were examined by SEBI.
20. Further, emails dated January 05, 2018 were sent to Union Bank of India and State Bank of India to provide the bank account statement(s) of SIL for the period April 01, 2015 to March 31, 2017. Union Bank of India vide mail dated January 05, 2018 provided the information sought. The following aspects were verified by comparing the bank account statement provided by the SIL and Union Bank for both the years i.e. 2015-2017:
- i) The closing balance of each month
 - ii) Sample day wise transactions of bank entries for both the years
 - iii) Highlighted entries of amount(s) received/ paid towards sales/ purchases
21. State Bank of India (SBI) vide mail dated January 16, 2018 provided the information sought. The following aspects were verified by comparing the bank account statement provided by the SIL and SBI:
- i) The closing balance of each month
 - ii) Sample day wise transactions of bank entries
 - iii) Highlighted entries of amount(s) received/ paid towards sales/ purchases
22. Further, in terms of the submissions of SIL dated September 18, 2017, it had substantial amount of purchases (excluding taxes) (together 62.66% in FY 2015-16 & 75.50% in FY 2016-17) with 2 listed entities i.e. Hindalco Industries Ltd. (Rs.50.82 crore in FY 15-16 & Rs.38.49 crore in FY 16-17) and Vedanta Ltd. (Rs.27.37 crore in FY 15-16 & Rs.38.18 crore in FY 16-17). In order to verify the authenticity of claims made by SIL w.r.t. purchases, emails dated January 15, 2018 were sent to Hindalco Industries Ltd. and Vedanta Ltd. to furnish the following information for FY 2015-16 & FY 2016-17:

- i) Whether the entity (Sanco Industries Ltd) has made any transaction(s) with Hindalco Industries Ltd./Vedanta Ltd.
 - ii) If yes, then what is the nature of transaction(s) entered into and total value of transaction(s).
 - iii) Explain the payment arrangement made between Sanco and Hindalco Industries Ltd. /Vedanta Ltd. and also provide the supporting documents for the same.
23. Hindalco Industries Ltd. vide email dated January 18, 2018 replied that it had sale transactions (copper cathode rods & aluminum wire, rods) with SIL, the total value of transactions (payments received from SIL) entered into was Rs.52.82 crore in FY 2015-16 & Rs.39.54 crore in FY 16-17, respectively. With regard to payment arrangement, Hindalco in its reply stated that the sale proceeds for copper cathode rods were received through letter of credit and were received through RTGS for aluminum rods. Further, it also enclosed sample copies of letter of credit /bill of discounting cum invoice dated 25-Oct-2017 of HDFC Bank, letter dated 11-Oct-2017 of Hindalco addressed to HDFC Bank Ltd., bill of exchange dated 10-Oct-2017, commercial cum tax invoices (5 nos.) dated 10-Oct-2017 and VRC logistics Private Ltd. (consignee copy) dt.10-Oct-17.
24. Vedanta Ltd., vide email dated January 19, 2018, replied that it had sale transactions (continuous cast copper wire, rods) with SIL. The total value of transactions (sales) entered into was Rs.27.60 crore in FY 2015-16 & Rs.39.37 crore in FY 16-17, respectively. Vedanta has also furnished date wise amounts received by way of LC / RTGS for 2015-16 and 2016-17.

Consideration of issues:

25. On perusal of the material available on record, the following issues arise for consideration.
- (a) Whether there is *prima facie* evidence of misrepresentation by SIL including that of its financials and/or its business and is there any possible violation of LODR Regulations by the company.
 - (b) Whether there is *prima facie* evidence to show that the company is misusing the books of accounts / funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore the board, controlling

shareholders and KMPs are reneging on the fiduciary responsibility cast on them.

- (c) In view of the determination on the above issues and the order of SAT in the aforesaid appeal, whether, in light of the representation of the company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.

26. On the basis of documents available on record, my observations on above issues are as under:

Issue No. 1. *Whether there is prima facie evidence of misrepresentation by SIL including that of its financials and/or its business and is there any possible violation of LODR Regulations by the company.*

Issue No. 2. *Whether there is prima facie evidence to show that the company is misusing the books of accounts / funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore the board, controlling shareholders and KMPs are reneging on the fiduciary responsibility cast on them.*

27. Based on the material available on record, *prima facie* observations are as under:

- (a) With respect to *query no.3 (a)*, the company provided the list of top 10 clients along with the turnover (sales) and percentage to total sales. From the reply of SIL, it is noted that top 10 clients have contributed 38.07% (Rs.42.17 crore) of total revenue from operations in FY 2016-17 & 51.17% (Rs.71.63 crore) in FY 2015-16.
- (b) With respect to *query no.3 (b)*, it is noted from SIL's reply that from top 10 suppliers, the company made purchase transactions for an amount of Rs.93.18 crore (91.76%) in FY 2016-17 & Rs.117.57 crore (94.20%) in FY 2015-16.
- (c) SIL in its email reply dated November 08, 2017 has enclosed the ledger accounts of clients & suppliers and relevant bank statements of its accounts highlighting the amounts received from top 10 clients and amounts paid to suppliers for FY 2016-17 & FY 2015-16, respectively. Further, the company vide its letter dated November 10, 2017 and emails dated December 12, 14 and 19, 2017 has

forwarded/provided the sales and purchase invoices pertaining to top 10 clients and suppliers.

- (d) The company has provided explanation/document(s) viz. sales & purchase invoices, relevant sales & purchase registers, ledger accounts and bank statements to substantiate the sales and purchase with/through top 10 clients and suppliers.
- (e) The amounts i.e. receipts & payments shown in ledger accounts of top 10 clients & suppliers w.r.t sales and purchases made during FY 2016-17 are also appearing in the relevant bank statements.
- (f) W.r.t FY 2015-16, a sample check for 5 clients & suppliers was carried out. The amounts i.e. receipts & payments shown in ledger accounts w.r.t sales and purchases are also appearing in the relevant bank statements.
- (g) With respect to query no.3(c), it is observed from the company's reply that out of total trade receivables (both current & non-current) of Rs.57.70 crore and Rs.54.75 crore, from the top 10 clients an amount of Rs.30.46 crore (represents 52.79%) and Rs.28.33 crore (represents 51.74%) was receivable by the company in FY 2016-17 and FY 2015-16, respectively. As per company's submission substantial receivable amounts are having aging under 0-180 days. In this regard, certain discrepancies were noted in the initial submissions of SIL. As mentioned above, clarification was sought from SIL vide separate mails in November and December 2017. In response to these mails, SIL submitted information and documents which were examined and have been found to be satisfactory.
- (h) With respect to trade payables, from the company's reply it is observed that out of total trade payables (both current & non-current) of Rs.22.52 crore and Rs.19.76 crore, an amount of Rs.21.09 crore (represents 93.65%) and Rs.18.40 crore (represents 93.12%) is payable to top 10 suppliers by the company in FY 2016-17 and FY 2015-16, respectively. No adverse observations have been noted in this regard.

- (i) With respect to query no.3(d), out of total advance to suppliers of Rs.4.44 crore (under short-term loans and advances) as on March 31, 2017, it was observed from the Company's reply that an amount of Rs.3.55 crore (79.95%) advance was given to "PKG Marketing Pvt. Ltd. (PKG)" as on 31st March, 2017. In this regard, clarifications were sought from SIL vide separate mails in November and December 2017. In response to these mails, SIL submitted information and documents which were examined and have been found to be satisfactory.
- (j) With respect to query no.3 (e), the company inter alia replied that "An amount of Rs.216.39 lakhs is shown in the audited financial for financial year 2016-17 under other non-current assets, said amount is recoverable from our group company i.e. M/s Sanco Enterprises Private Limited (SEPL) on account of investment sold to them which was in our subsidiary company i.e. M/s. Superlink Polyfeb Limited (SPL). This transaction was done in the month of September, 2016 and complete payment was realized in the month of April, 2017".
- (k) As per the MCA records, it is observed that the SEPL and SPL are having the same registered address of SIL i.e. 9/51, Bazar Gali, Vishwas Nagar, New Delhi – 110032 and email ID i.e. sanco86@sancopipes.com. The date of incorporation of SEPL is 17/07/1990 & SPL is 18/06/2002. It is also observed that both SEPL and SPL are having Mr. Sanjay Gupta, Mr. Sidhant Gupta and Mr. Abhishek Jain as directors. It may be noted that Mr. Sanjay Gupta & Mr. Sidhant Gupta are also directors of M/s. Sanco Industries Ltd. Both SEPL and SPL are unlisted companies.
- (l) Vide e-mail dated November 06, 2017, the company was advised to provide the bank statement highlighting the receipt of aforementioned amount i.e.Rs.216.39 lakhs from SEPL. The company vide its e-mail dated November 08, 2017 provided the bank statement of Union Bank, A/c. No.691005010000103 from 15/04/2017 to 17/04/2017 highlighting the receipt(s). It is highlighted in the bank statement that the aforementioned amount was received in 2 tranches viz. Rs.116.39 lakhs on 15/04/2017 and Rs.100.00 lakhs on 17/04/2017.
- (m)Further an email was sent to company on December 11, 2017 to provide supporting documents for the above transaction apart from bank statement. The company vide email dated December 14, 2017 provided the photocopy of

cancelled share certificates of Superlink Polyfeb Ltd. held in the name of SIL, photocopy of share certificate of Superlink Polyfeb Ltd. held by Sanco Enterprises (P) Ltd and securities transfer form dated September 30, 2016.

- (n) From Securities Transfer Form, it appears that SIL has sold 33,51,350 shares of SPL to SEPL for consideration of Rs.335.14 lakhs. The above transaction was duly reported/disclosed under related party disclosures in Note no.33 of Standalone Financial Statements of FY 2016-17.
- (o) To verify the receipts and payments highlighted by SIL in its bank statement, information was sought from the respective banks i.e. Union Bank of India and State Bank of India. On examination of the response of the banks in this regard, no discrepancies have been observed.
- (p) Further, to verify the authenticity of the purchases mentioned by SIL in its submissions, confirmation was sought from the respective suppliers i.e. Hindalco & Vedanta. From the response of the said suppliers, no deviations were observed against the amount of purchases made by SIL from both the suppliers and hence no adverse inference has been drawn.

28. In view of substantive documentation and explanations provided by SIL during the hearing and in its responses post hearing in respect of all the queries, I do not find any *prima facie* evidence nor suspicion of misrepresentation of financials/business by the company, misuse of books of accounts / funds of the company or violation of LODR Regulations.

Issue No. 3. *In view of the determination on the above issues, pursuant to SAT Appeal and the order of SAT in the said appeal, whether, in view of the representation of the Company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.*

29. In absence of *prima facie* evidence / suspicion of misrepresentation by the company, misuse of the books of accounts / funds of the company or violation of LODR Regulations, there is no reasonable ground to further verify the financials of the Company warranting an audit. I am, therefore, of the considered view that the

actions envisaged in SEBI's letter dated August 7, 2017 against SIL are liable to be revoked.

Order

30. In consideration of the above discussed facts and circumstances of the case, 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, revoke the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges against Sanco Industries Ltd.
31. Accordingly, the representations dated August 8, 2017 and August 16, 2017 made by SIL are disposed of.
32. Copy of this Order shall be forwarded to the recognized stock exchanges for information and necessary action.
33. 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: February 15th, 2018
PLACE: MUMBAI

MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA