

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER**

INTERIM ORDER

Under Sections 11, 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Landmarc Leisure Corporation 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 data base 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 reneging 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 Landmarc Leisure Corporation Ltd. (hereinafter referred to as “LLCL” / “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, BSE 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 12, 2017, LLCL made a representation, *inter alia*, submitting as under:

"We would like to categorically state that the Company has been following all the rules and regulations as stipulated by the Companies Act and the SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 and other regulations of SEBI and the listing agreement entered into with the Stock Exchanges as well as filing all the required documents within the stipulated time to the concerned authorities.

The Company was incorporated in the year 1991 and currently is in the business of producing Feature Films along with Documentary and Short Films. Amongst other businesses Landmarc films (a division of Landmarc Leisure Corporation Limited) has released two Marathi Feature Films viz. "Vazandar and" Ringan in the last 12 months. The Management of the Company is making efforts to make it big and hopefully the outcome will be seen in the near future. The Company is in talks with big studios & production houses to collaborate with them which will take the Company in an even bigger league & better the position of the Company.

During the year, the Company has not received any notices from the Ministry of Corporate Affairs or BSE Limited and also the Company has not received any complaints or queries from the Shareholders of the Company. Our Company has a total number of 12.968 Shareholders out of which 12,962 are Public Shareholders as on 30th June 2017. The promoters as well as other shareholders have full faith in the Management of the Company and look forward for a positive outlook, of the Company,

We would also like to bring it to your kind attention that the Company has complied with the Service Tax related Rules, Income Tax Act ,961 and all other laws applicable. The Company has not borrowed any funds from any Bank or Financial institutions. Also, the Company has a turnover of Rs. 1.12 crores in the financial year 2016-17.

We are surprised that our Company has been placed under the surveillance list of shell Companies (Sr. no. 240 bearing CIN: L65990NIH1991PLC060535 - Landmarc Leisure Corporation Limited). We are ready to provide all the necessary Information and extend all cooperation to the regulators to resolve the issue.

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

...

We would also request you to kindly issue the necessary directions, as such harsh action against the Company is directly prejudicial not only to the Company but also its large number of public shareholders.”

9. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and BSE, LLCL filed an appeal No. 217 of 2017 before Hon'ble Securities Appellate Tribunal (hereinafter referred to as “SAT”). Hon'ble SAT vide order dated September 11, 2017 directed the following:-

“2. As the appellant has already made a representation to BSE against the said ex-parte order dated August 07, 2017, with a copy to SEBI, Counsel for the appellant on instruction seeks to withdraw the appeal with liberty to pursue the representation filed before SEBI. Accordingly, we permit the appellant to withdraw the appeal with liberty to pursue the representation pending before SEBI.

3. SEBI is directed to dispose of the representation made by the appellant as expeditiously as possible and in any event within a period of four weeks from today. It is made clear that passing of any order on the representation made by the appellant would not preclude SEBI from further investigating the matter and initiate appropriate proceedings if deemed fit.”

10. Pursuant to above mentioned SEBI's letter dated August 9, 2017 (mentioned above), BSE has submitted its report on September 7, 2017 wherein it has *inter alia* observed the following:

“Company has submitted the auditor certificate from SMMP & Associates, Chartered Accountants As per the Auditor Certificate, company has:

- a) *Filed income tax returns for the last three years. However, there is a dispute pending before Income Tax Department aggregating to Rs. 20.93 Lakhs.*
- b) *Prima facie complied with all requirements of Companies Act as well as annual returns filings for last 3 years*
- c) *Company is a going concern and is in business of producing feature films along with documentary and short films.*
- d) *Company has not availed any loans from any bank / financial institution.*
- e) *Prima facie complied with the listing regulation requirements for a period of last 3 years.*

...”

11. 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:

12. Pursuant to the decision of Hon'ble SAT, an opportunity of personal hearing was granted to LLCL on September 20, 2017 when its authorized representative appeared and, *inter alia*, submitted the following:
- i) The company is 26 years old and has been listed since the year 2000. Till date, no penalty has been levied on the company for breach of any regulatory requirements nor has it faced any suspension of trading.
 - ii) The company has already provided the data that was asked from it by the stock exchange.
 - iii) As on march 31, 2017, the company has 6 employees.

13. LLCL was asked to provide the information / response on the following points (supported by documentary evidence) as early as possible and latest by September 30, 2017:

1. *The AR mentioned that the asset having auditors' qualification i.e. film satellite rights worth Rs 4 crore was undertaken in 2010 and the company's realized revenue from it is only Rs 2-3 lakhs. Company shall confirm this statement. Additionally, provide the following information in this regard:*
 - a. *What is the exact revenue to the company from this investment till date?*
 - b. *Explanation for the asset not being shown as expense or written off fully till 2017; and shown as asset despite having miniscule revenue of just Rs. 2-3 lakhs from the investment worth Rs 4 crore for 7 long years.*
 - c. *As on March 31, 2017, the value of the said investment has been shown as 1.59 crore. In this regard, provide explanation for the reduction of value and also provide the approved provisioning policy under which the value of film satellite rights was reduced.*
2. *Why the cost of production of Rs 3.66 Crore i.e. film production was not capitalized despite it generating revenue to the company, when on the other hand investment of Rs 4 crore in film satellite rights is capitalized which was not generating significant revenues?*
3. *AR submitted that an Interest free security deposit of Rs 15 crore was given to Shree Ram Urban Infrastructure Limited (SRUIL) during 2005-2009 towards purchase of a property and the company is not yet having any surety of the possession of the premises. Please explain the following:*
 - a. *Confirm that the payment was done during 2005-2009*
 - b. *Why Company has never asked for money back till date, even when the payment was done in 2005-2009 for the said purpose and there is no certainty of getting possession of the premises as the matter has been under litigation since long.*
 - c. *What is the current status of the project*
 - d. *Nature of connection of company and related party with whom the aforesaid contract was done along with supporting documents.*
 - e. *MOU signed between the company and SRUIL*

4. *Details of Long term and short term loans and advances and – Name and contract details of the persons to whom loans and advances were given along with confirmation from secretarial audit that due process of Related party transaction is followed. Additionally, the presentation to board of directors for convincing that it is an arms-length transaction along with the details of rental and deposit and other expenses and the relevant benchmarks.*
5. *When was Rs 10 crore and Rs 15 crore paid by the company for the payment towards 1 lakh sq. ft. area? Additionally, the presentation to board of directors for convincing that it is an arms-length transaction along with the details of rental, deposit and other expenses and the relevant benchmarks used by the company for the same.*
6. *Explanation of business plan of company in light of investing towards or paying security deposit towards significantly large 1 lakh square foot area plot from related party and its current status.*
7. *Significant legal and professional expenses in FY2015-16. Provide details of the same.*
8. *Long term and short term borrowing are of Rs. 2.98 crore and Rs 2.11 crore. – Provide details regarding these borrowings stating whether the counterparty is related party or not. Additionally, if the counterparties are related parties,
 - a. *Details and how they are related*
 - b. *Confirmation from secretarial audit that due process of related party transaction was followed.*
 - c. *Provide the presentation made to board of directors for convincing that it is an arms-length transaction**
9. *How the proceeds of the IPO were utilized?*
10. *When was the preferential allotment done? How much money was raised from preferential allotment and when was it raised? List of the entities along with the*

shares allotted to them stating whether they were related parties. If so, mention their relation.

SEBI also sent an e-mail to the company on September 25, 2017 asking for the above information.

14. LLCL filed its response to the queries / information sought from it on September 30, 2017. The query-wise response of LLCL is as under:

Query 1 – The AR mentioned that the asset having auditors’ qualification i.e. film satellite rights worth Rs 4 crore was undertaken in 2010 and the company’s realized revenue from it is only Rs 2-3 lakhs. Company shall confirm this statement. Additionally, provide the following information in this regard:

- a. What is the exact revenue to the company from this investment till date?*
- b. Explanation for the asset not being shown as expense or written off fully till 2017; and shown as asset despite having miniscule revenue of just Rs. 2-3 lakhs from the investment worth Rs 4 crore for 7 long years.*
- c. As on March 31, 2017, the value of the said investment has been shown as 1.59 crore. In this regard, provide explanation for the reduction of value and also provide the approved provisioning policy under which the value of film satellite rights was reduced.*

- During the year 2010-11, the Company had incurred Publicity and Promotion expenses in respect of a feature film amounting to Rs. 740.28 Lakhs, of which, the management is of the view that Rs. 400.00 Lakhs would represent the future economic benefit of the satellite rights and has accordingly capitalized the same under Intangible assets.

- The Company sold the said Satellite Rights of the feature film for Rs.461.20 Lakhs for a period of 6 years on 31.03.2011. Also the Company had sold the Terrestrial Rights of this film for an amount of Rs. 1,21 Lakhs [USD 2000] for a period of two years on 30.01.2015.

- The above Sale Agreement of Satellite Rights for 6 years winded off on 31.03.2017 and the Company is under talks with the Studios for sale of the Satellite Rights for the Feature Film.
- As per the norms followed usually in the Film Industry, the sale of Satellite Rigs of a Hindi Feature Film is not perpetual and can be sold even after the initial sale of the Satellite Rights. However for a Marathi Feature Film, the satellite rights, once sold, they do not have a sale value at the end of the period as per the sale deal.
- The Management had thus expected and still expects to sell the Satellite Rights for the feature film and hence had capitalized the value of the Satellite Rights for the Hindi Feature Film.
- The Company had adopted the guidelines as per "AS 26 - Intangible Assets", under which Paragraph 63, states that:
"The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Amortization should commence when the asset is available for use. "
- Further, the Satellite Right had been available to the Company for use on 31.03.2011 and valued as Rs. 400 Lakhs on 31.03.2011. Based on the above explanation of Accounting Standard, the Intangible asset has been amortized for a period 6 years and hence the value stands at Rs. 159 lakhs as on 31.03.2017.

Query 2 – Why the cost of production of Rs 3.66 Crore i.e. film production was not capitalized despite it generating revenue to the company, when on the other hand investment of Rs 4 crore in film satellite rights is capitalized which was not generating significant revenues?

- As per the norms followed usually in the Film Industry, the sale of Satellite Rights of a Hindi Feature Film is not perpetual and can be sold even after the initial sale of the Satellite Rights. However, for a Marathi Feature Film, the satellite rights

once sold, they do not have a sale value at the end of the period as per the sale deal.

- The cost of Production as stated in the Profit & Loss Account for the period ended 31.03.2017 of Rs. 3.66 crores relates to the cost of production incurred by the Company for its Marathi Feature Film released on 11.11.2016.
- The Company was under the talks with a Studio for sale of its Satellite Right of Marathi Feature Film for a period of more than ten years. Also if the intangible asset would have been capitalized it would have not generated any future economic benefits and hence the Management had taken a decision of not capitalizing the same, The Company was able to materialize the said deal and hence did not capitalize the cost of production of Rs. 3.66 crores.

Query 3 – AR submitted that an Interest free security deposit of Rs 15 crore was given to Shree Ram Urban Infrastructure Limited (SRUIL) during 2005-2009 towards purchase of a property and the company is not yet having any surety of the possession of the premises. Please explain the following:

- a. Confirm that the payment was done during 2005-2009*
 - b. Why Company has never asked for money back till date, even when the payment was done in 2005-2009 for the said purpose and there is no certainty of getting possession of the premises as the matter has been under litigation since long.*
 - c. What is the current status of the project*
 - d. Nature of connection of company and related party with whom the aforesaid contract was done along with supporting documents.*
 - e. MOU signed between the company and SRUIL*
- It is not a purchase agreement.
 - a) Confirmation is given by the said party as on 31.03.2005.
 - b) The Company is interested in getting the possession of the property. Also the Company had entered in an Agreement with SRUIL for getting the possession of the property and using it for running Wellness Centre and Spa business for a period of 30 years. As per the recent Addendum made by both the parties, SRUIL has given expected possession date of the premises by 31.12.2021. Though the

Company is not getting any interest on the Security Deposit given by it, but the Company possesses a right to use the premises for a period of 30 years from the date of possession. Considering the fact that there is an appreciation in the value of the property and the Company could have made multiples against the amount given as interest free security deposit, but Management of the Company feels that the Value of the Right held by the Company for using the premises for commercial use has also appreciated. Also the deposit is refundable at the end of the term, hence is in the interest of the Company,

c) As per the details given by the Authorized Representatives of SRUIL, "Civil work of project has been fully completed. Finishing is under process. SRUIL is going through tough time due to the ongoing litigation. However, SRUIL is quite hopeful to give possession by 31.12.2021."

d) Both the Companies are Public Listed Companies and have common promoters. Both the Companies have complied with the then existing Companies Act, 1956 as well as listing agreement.

e) The company enclosed a copy of the MOU signed between the company and SRUIL

Query 4 – .Details of Long term and short term loans and advances and – Name and contract details of the persons to whom loans and advances were given along with confirmation from secretarial audit that due process of Related party transaction is followed. Additionally, the presentation to board of directors for convincing that it is an arms-length transaction along with the details of rental and deposit and other expenses and the relevant benchmarks.

- The company provided the details of Names of Parties & Description and also the Secretarial Audit Report. The company also submitted that both the transactions were at arm's Length as the profit that would be generated from the said transaction was much higher in comparison to the then prevailing market scenario.

Query 5 – When was Rs 10 crore and Rs 15 crore paid by the company for the payment towards 1 lakh sq. ft. area? Additionally, the presentation to board of directors for convincing that it is an arms-length transaction along with the details

of rental, deposit and other expenses and the relevant benchmarks used by the company for the same.

- The amount was paid during 2007-2009. The transaction was undertaken to take advantage of opportunities in the wellness segment as well as in media/entertainment. SKM Real Infra Ltd, had developed a top-class building of over 100,000 sq.ft. and the agreement between SKM Real Infra Ltd. and LLCL entitled LLCL to utilize as much area as required by LLCL's business from the 100,000 sq.ft. Building on the terms agreed. As mentioned above, the transactions were at Arm's Length in comparison to the then prevailing market condition,

Query 6 – Explanation of business plan of company in light of investing towards or paying security deposit towards significantly large 1 lakh square foot area plot from related party and its current status.

- Both the Companies have common promoters i.e. Shri Vikas S Kasliwal. LLCL's business strategy envisages establishing and growing in the Wellness segment as well as the Media/Entertainment segment. Accordingly it has been taking actions and making investments.
- SKM Real Infra Ltd. has developed an excellent commercial building at Andheri, a location most preferred by the Wellness professionals as well as the Media/Entertainment professionals.
- Thus, investment with SKM Real Infra Ltd. was an excellent opportunity to take forward the Wellness business by operating a Wellness Academy as well as the Media/Entertainment business by establishing Editing & Screening facilities, Studio etc.
- The actual space utilized varies from time to time depending on the business requirements and needs of LLCL.
- The value of commercial premises in this building is over Rs. 30,000 per sq.ft. Thus, the present deposit of Rs. 25 crores is equivalent to about 8,300 sq.ft.

i.e. about 8.30% of the building. As we have occupied a total space of approx. 20000 sq.ft which is more than twice the above said prices.

- Also the deposit is refundable at the end of the term, hence is in the interest of the Company.

Query 7 – Significant legal and professional expenses in FY2015-16. Provide details of the same.

- *Details of Legal & Professional Fees have been provided by the company.*

Query 8 - Long term and short term borrowing are of Rs. 2.98 crore and Rs 2.11 crore. – Provide details regarding these borrowings stating whether the counterparty is related party or not. Additionally, if the counterparties are related parties,

a. Details and how they are related

b. Confirmation from secretarial audit that due process of related party transaction was followed.

c. Provide the presentation made to board of directors for convincing that it is an arms-length transaction

- Long term borrowing relates to amount borrowed from M/s. KU Enterprises amounting to Rs.2.98 crores for the Film Projects of Landmarc Films [A Division of Landmarc Leisure Corporation Limited].

- Short term borrowing of Rs. 2.11 crores relates to amount borrowed from a co-financer i.e. Fervent Finance & Investments Pvt Ltd for film projects of Landmarc Films [A Division of Landmarc Leisure Corporation Limited].

a) Details of the borrowings have been stated above. As on date, on the Board of K.U. Enterprise Private Limited, Mr. Dhruv Kasliwal is the Director who is related to Ms. Vidhi Kasliwal - Director of Landmarc Leisure Corporation Limited. As the borrowings taken are interest-free, the Board had taken these loans in the interest of the Company,

b) Secretarial Audit Report was enclosed by the company.

c) The Company has borrowed the amounts from above stated parties, interest free and only the profits/revenues generated by investing the amount borrowed in film projects were to be shared, the above transaction is an Arm's Length Transaction. If the Company would have borrowed the same amount from any financial institution then it would have to bear the interest cost which would have been a fixed burden to the Company until its projects would enter the market and generate revenues. Instead of bearing the said burden the Management of the Company was able to convince the above said parties for investing in its projects and in return the Company had agreed to share the profits/revenues of the Film projects. As the loans are interest free, the Board had approved these loans in the interest of the Company.

Query 9 - How the proceeds of the IPO were utilized?

- As the records asked pertain to a period beyond fifteen years we are under the process of searching all the required documents and shall provide the asked details at the earliest. We have also submitted the documents pertaining to IPO in the year 2000 to SEBI. The equity shares of LLCL have been listed on 27.11.2000.

Query 10 - When was the preferential allotment done? How much money was raised from preferential allotment and when was it raised? List of the entities along with the shares allotted to them stating whether they were related parties. If so, mention their relation.

- As per the records available with us, the Company at its EGM held on 24th August 2009 has approved the issue of 40,00,00,000 Equity Share Warrant convertible into one Equity Shares of Rs.1 including premium of Rs. 0.08 paise each on a preferential basis. The company enclosed a list of allottees and amount raised.

Consideration of issues:

15. On perusal of the material available on record, the following issues arise for consideration.

- (a) Whether there is *prima facie* evidence of misrepresentation by LLCL 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 KMP 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.

16. 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 LLCL 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 KMP are reneging on the fiduciary responsibility cast on them.*

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

- i. The Memorandum of Understanding (MOU) submitted by LLCL is between LLCL and SRUIL, both predominantly having common promoters. The said MOU is with regard to appointment of LLCL to manage the operation of the Wellness Centre in the property named *Palais Royale* which is a residential building for which the handover date was March 31, 2010 as per the original MoU. The said handover date was modified to September 07, 2013 as per addendum dated March 30, 2009. Further, as per the second addendum to MoU dated August 17, 2013, the handover date was again modified to March

20, 2017. The handover date was once again modified to December 31, 2021 as per addendum dated February 20, 2017.

- ii. Despite being aware that the project forming the subject matter of the MOU has been in litigation, LLCL has neither sought for refund of amount from SRUIL for its security deposit (terminating the MoU) nor added any amendment in MoU to the effect of addition of penalty on further delay of handover date, which, *prima facie*, appears to be inappropriate use of the investors' funds towards related party transaction, as LLCL is not getting any benefit from year 2005 till 2021 from this interest free security deposit. On the contrary, it has agreed to accept the tentative handover date of 2021 without any revenue generation for LLCL. There has been lot of uncertainty w.r.t. the likelihood of commencement of operations and it is not clear why LLCL has not demanded its deposit back from SRUIL.
- iii. It is noted that in the audit report since the year 2009-2010, there has been an audit qualification regarding non-provision against the interest free security deposit in company's books and the same has not been addressed by LLCL till 2016-2017.
- iv. Despite investing such huge amount vis-à-vis its Asset base i.e. Rs 15 crore (1/3 of its asset size mentioned in Annual report 2016-17), company has not demanded the deposit back from SRUIL, which is a related party.
- v. It is noted that the "*confirmation of accounts*" submitted by LLCL shows "debit of Vijay Infrastructure Deposit a/c transfer to Shree Ram Mills Deposit a/c" worth Rs 20 crore, which matches with the figure given in MoU, In the company's reply, the relation of Vijay infrastructure with LLCL is not mentioned by the company. Additionally, whether this transaction is done for operating and managing a wellness center at *Palais Royale*, which is the property under consideration in the MoU, cannot be confirmed from the aforesaid document. It is also noted that as per the long term loans and advances (shown in FY 2016-17), the advance to SRUIL for running business operations at Worli Premises (i.e. the property under consideration) is Rs. 15 crore. The Company did not

- give any bank transaction entry showing refund receipt of the balance Rs. 5 crore based on the addendum 1 to the MoU dated March 30, 2009.
- vi. Further, the date of MoU is 27/10/2005 and the date of “confirmation of account” is 31/12/2004 (prior to the date of MoU). This gives rise to a suspicion as to why would the company enter into a transaction 10 months ahead of the date of MoU that too for such a large amount.
 - vii. The three addendums to MoU are not made on stamp papers. Hence, whether the three addendums are legally valid is questionable. Also, the name of signatory on behalf of SRUIL is not mentioned in any of the addendums.
 - viii. Despite asking for the Name and contract details of the persons to whom loans and advances (short term and long term) were given, the company failed to provide the same.
 - a) With regard to the long term loans and advances, the Company only made a passing remark stating that Rs 15 crore is towards running business operations at Andheri Premises (Fixed) and Rs 15 crore is towards running business operations at Worli Premises. However it did not give the relevant details or contract/MoU/agreement.
 - b) With regard to the aforesaid Andheri premises, LLCL had entered into a transaction with SKM Real Infrastructure Ltd. and had deposited Rs. 15 crore (long-term advance given in 2007) and Rs. 10 crore (short term advance given during 2007-2009) whereunder LLCL could use one lakh sq. ft. of the area owned by SKM. It is noted that SKM is also a related party of LLCL having common promoter i.e. Mr. Vikas S. Kasliwal. As per the submissions of LLCL, it had only 6 employees as on March 31, 2017 and the revenues from the use of said premises are not significant. Thus, it appears that LLCL has been incurring substantial cost (loss of opportunity of appropriate usage / loss of interest income on the deposit of Rs. 25 crore) without generating significant revenues from the said premises, which is potentially to the detriment of the interests of minority shareholders.

- ix. The company was specifically asked to provide the utilization of IPO proceeds, however it has failed to provide the relevant details in that regard.
18. Considering the above observations, it *prima facie* appears that LLCL has utilized the investors' money in a manner detrimental to the interests of minority shareholders. One such instance is that LLCL has given a substantial portion of its assets, Rs. 15 crore, to a related party (i.e. SRUIL) as an interest free security deposit which is outstanding for 12 years without any benefit to the shareholders of the company. Also, LLCL has claimed its transaction with SRUIL was an arm's length transaction but has failed to provide any explanation as to how it was an arm's length transaction. The company at the time of hearing was also asked to provide contract details and particulars of arm's length transactions (where related parties are involved) in respect of the loan and advances shown by it FY 2016-17, however it failed to provide any contract details and particulars of related parties. It has also failed to provide utilization of proceeds of IPO which came in the year 2000.
19. In view of the foregoing, in my view, there is *prima facie* evidence of misuse of books of accounts/funds by the company, even though there is no *prima facie* evidence of misrepresentation of financials by the company.

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.*

20. In view of the *prima facie* observations regarding misuse of books of accounts/funds by the company, the persons who are in control of the company and the directors of the company are *prima facie* liable for action by SEBI and should not be permitted to exit the company at the cost of innocent shareholders.
21. Further, on account of the above mentioned observations regarding misuse of books of accounts/funds by the company, it is also imperative that in the interest of investors, the financials of the company be independently audited to establish their genuineness.

22. Pending inquiry/ audit, considering the interest of public shareholders involved in LLCL, I find it appropriate to revert the trading in securities of LLCL to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.

23. In view of the above, I am of the view that following urgent interim actions are required to be taken, pending audit/further enquiry.

INTERIM ORDER

24. In the 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, modify the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against LLCL and direct as under:

- i. The trading in securities of LLCL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
- ii. Stock Exchange shall appoint an independent forensic auditor, *inter alia*, to further verify:
 - a) Misrepresentation including of financials and/or business of LLCL, if any;
 - b) Misuse of the funds/books of accounts of LLCL, if any.
- iii. The promoters and directors in LLCL are permitted only to buy the securities of LLCL. The shares held by the promoters and directors in ISL 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 LLCL.

25. Accordingly, the representation dated August 12, 2017 made by LLCL is disposed of.

26. The above directions shall take effect immediately and shall be in force until further Orders.

27. The findings in this order have been rendered on the basis of the *prima facie* evidence available at this stage. However, detailed examination / forensic audit needs to be undertaken to unearth the entire extent of violations. In this context, LLCL is advised to file its reply/objections to this *interim order*, if any, within 30 days from the date of receipt of this Order and may also indicate 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. In the event LLCL fails to file its reply or to request for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and *ad-interim* directions shall stand confirmed against LLCL automatically, without any further orders.

28. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for their 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: OCTOBER 6, 2017
PLACE: MUMBAI

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

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORRIGENDUM TO THE ORDER DATED OCTOBER 6, 2017 BEARING
REFERENCE NUMBER WTM/MPB/ISD/ 54 /2017

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI"), vide an Order dated October 6, 2017 bearing reference number WTM/MPB/ISD/ 54/2017 (hereinafter referred to as "*the Order*"), had issued directions against Landmarc Leisure Corporation Ltd. (abbreviated as "LLCL"). In *the Order*, the word "ISL" appearing in paragraph 24 (iii), line 2 shall be replaced with and read as "LLCL".
2. *The Order* accordingly stands corrected. *The Order* shall always be read with this Corrigendum.

Sd/-

DATE: October 10, 2017

PLACE: MUMBAI

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