

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

INTERIM ORDER

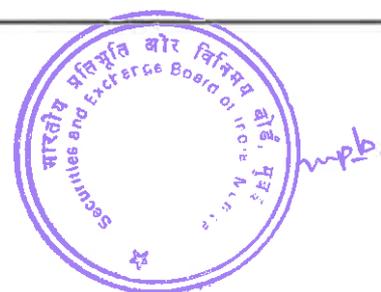
Under Sections 11, 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of M/s Quest Financial Services Limited (PAN: AAACQ0461C)

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 has annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA has 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 SEBI Act, 1992 (hereinafter referred to as “SEBI Act”) of protecting the interests of the investors in securities and to promote the development of and regulations of securities markets by appropriate measures as deemed fit.
3. SEBI was of the view that companies whose names are included as shell companies by SFIO and MCA, were potentially involved in
 - (a) Misrepresentation including of its financials and its business and possible violation of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “LODR Regulations”) and/or



- (b) Misusing the books of accounts/funds of the company including facilitation of accommodation entries to the detriment of minority shareholders and therefore renegeing 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 action 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, 1992, in respect of listed shell companies including M/s Quest Financial Services Limited (hereinafter referred to as “QFSL” / “Company”), vide its letter dated August 7, 2017, based on the view stated at para 3 and 4 above. SEBI placed trading restrictions, on the promoters/directors so that they do not exit the company at the cost of innocent shareholders. In view of the said objective, SEBI vide the said letter dated August 7, 2017 also placed the scrip in the trade to trade category with limitation on the frequency of trade and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals by the exchanges, including by way of audit and forensic audit if necessary. The measures also envisaged, on the final determination, delisting of companies from the stock exchange, if warranted. By virtue of these measure, trading in scrip was not suspended but allowed under strict monitoring so that investors could take informed investment decisions, till SEBI and Exchanges completed their detailed examination of such companies.
6. Pursuant to the same, Bombay Stock Exchange Limited (hereinafter referred to as “BSE”) vide notice dated August 7, 2017 and National Stock Exchange of India Limited (hereinafter referred to as “NSE”) vide notice dated August 7, 2017, to all its market participants, initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed securities as identified by MCA and communicated by SEBI, with effect from August 8, 2017.



7. On August 09, 2017, SEBI further advised the 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 requirement with Companies Act, whether company is a going concern and its business model, status of compliance with listing requirements, etc.
8. QFSL vide its letter dated September 07, 2017 had made a representation to SEBI submitting that the foundation of the company is based on the fundamentals of good business and ethical practices, the company did not fall into any criteria of being Shell Company. In the year 1998 the company was registered as Non-Banking Financial Company (NBFC) under Reserve Bank of India (RBI) Act, 1934. The core business activity of the company is providing loan to various entities and investment in other companies. The turnover of the company for financial year 2014-15, 2015-16 and 2016-17 is Rs. 16,06,17,605/-, Rs 3,32,58,708/- and Rs. 93,63,505/- respectively. The company also submitted the Auditor's Certificate.
9. In the meantime, aggrieved by the aforesaid letters dated August 7, 2017 issued by SEBI and BSE, QFSL filed an appeal No. 236 of 2017 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). The Hon'ble SAT vide order dated September 13, 2017 directed the following:-

".....

2. *As the appellant has already made a representation to BSE against the said ex-parte order dated 7th August, 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. The Hon’ble SAT in the matter of *J. Kumar Infra Projects Limited vs. SEBI* dated August 10, 2017 held that the measures taken by SEBI vide its letter dated August 07, 2017 was in the nature of quasi-judicial order and the same has been passed with out 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.
11. SEBI vide letter dated September 21, 2017 had advised QFSL to provide following information:
- (a) Summary of dealings of the Company or its directors with or through Mr. Prakash Jajodia, Mr. Amit Jajodia, Mr. Vinod Kumar Jajoo, Mr. Balkishan Sikaria and Mr. Kishan Jajodia, either directly or indirectly, including the nature and quantum thereof. Provide details of the all transactions along with supporting documents;
 - (b) Details of Association of the company or its directors, whether direct or indirect, with Mr. Prakash Jajodia, Mr. Amit Jajodia, Vinod Kumar Jajoo, Mr. Balkishan Sikaria and Mr. Kishan Jajodia;
 - (c) 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;
 - (d) Details of any submissions made to Income tax by Company/Directors or Promoters during August 2014 to October 2014, if yes, provide the copy of the documents/letter;



(e) To provide written confirmation of the following statements recorded during an investigation by enforcement agency under section 131 of Income Tax Act, 1961 dated 26/08/2014 on oath by Mr. Prakash Jajodia (Managing Director of Quest Financial Services Limited and part of the promoter group).

-“I am doing the business of providing accommodation entries to various beneficiaries in lieu of cash after charging fixed percentage of commission in cash”

-“I am doing business of share broking. I am also earning some commission income from providing accommodation entry of bogus share capital and long term capital gain”

-I am director in 15 companies list (Annexure-A) of which have already been submitted on 07/08/2014 during the course of survey. However, in the business of providing accommodation entries, a large number of companies are required for circulating the funds and providing accommodation entries. Therefore, I am controlling and managing the affairs of many companies”

-“Sir, name of my company through which I have provided accommodation entry as bogus long term capital gain is, Quest Financial Services Ltd. The company is listed with Calcutta Stock Exchange. Registered office of this company is Centre Point 21, Hemanta Basu Sarani, Room No. 230, 2nd floor, Kolkata -01. Myself is the managing director of this company. I decide all the affairs of the company. This company has a paid up capital of around Rs. 123,31,65,000/-. All this capital is bogus in nature and I have raised it through amalgamating my own jamakharchi companies into this company. I have done this purposefully for providing bogus lon term capital gain entry. I Have managed this affair with the help of other operators, like Mr. Vinod Kumar Jajoo and Mr. Balkishan Sikaria. I have kept demat shares with people like Mr. Jajoo. When beneficiaries come to me for having long term capotal gain entry, I used to get it done with the help of Jajoo and Sikaria. Jajoo has arranges cash deposits and subsequent transfers of cheques while as Mr. Balkishan Sikaria.”

(f) Details of any notices served by any Government agency/Regulatory body to the company/promoters/directors from 2010 till date.



12. QFSL vide its letter dated September 23, 2017 submitted the information sought by the SEBI's letter dated September 23, 2017, which are as under:

- (a) Reply to query 1: Mr. Prakash Jajodia (DIN-00633920), Managing Director, has received remuneration of Rs. 2,70,000/- during the financial year ended 31st March, 2017. Further, Mr. Amit Jajodia (DIN-02291113) and Mr. Kishan Jajodia (DIN-00674858), Directors of the Company, do not receive any remuneration from the Company. Further, neither the Company nor any of its Directors, have entered into any transaction with Mr. Vinod Kumar Jajoo or Mr. Balkishan Sikaria.
- (b) Reply to query 2: Mr. Prakash Jajodia (DIN- 00633920), Managing Director, Mr. Amit Jajodia (DIN- 02291113) and Mr. Kishan Jajodia (DIN-00674858), Directors of the Company, belong to the promoter group of the Company. Further, Mr. Vinod Kumar Jajoo and Mr. Balkishan Sikaria are not associated with the Company nor any of its Directors.
- (c) Reply to query 3: Details of employees on the rolls of the Company, their respective roles, remuneration received, qualifications and experience for the job are enclosed. There are total 9 employees in the company.
- (d) Reply to query 4: The Managing Director was forced to make submission before the Income Tax officer due to continuous insistence of the officer of the Income Tax Dept. and thus, such statements were recorded under pressure and force.
- (e) Reply to query 5: The undersigned, Managing Director, hereby confirms to have recorded on oath upon being subjected to pressure, force, coercion and without satisfaction, the statements mentioned in point no. 5 of the SEBI Letter SEBI/HO/ISD/ISD/OW/P/2017/22256/1, during an investigation by the enforcement agency under section 131 of the Income Tax Act, 1961. In this connection, the notarised copy of the affidavit of the undersigned, dated 20th February 2015, is enclosed.
- (f) Reply to query 6: No notices served by any Government agency/Regulatory body to the company/promoters/directors from 2010 till date.



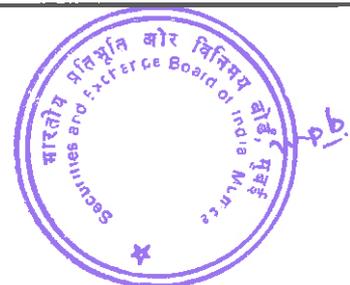
Hearing and Reply:

13. 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, SEBI vide communication dated September 18, 2017, granted an opportunity of hearing to QFSL on September 22, 2017. QFSL vide letter dated September 21, 2017 requested for adjournment of hearing. Accordingly, SEBI vide communication dated September 22, 2017, granted another opportunity of hearing to QFSL on September 25, 2017. On September 25, 2017, Mr. Ketan Rupani, Chartered Accountant of Ketan Rupani & Co., Authorized Representative (hereinafter referred to as "AR") appeared for QFSL and made oral submissions in line with the SAT appeal Memo which was also submitted. The main grounds of the appeal was:

- a. That SEBI has grossly erred in classifying QFSL as Shell Company since no criteria of Shell Company is applicable to QFSL.
- b. That no purpose or intent of SEBI has been spelt out in the letter issued by SEBI to BSE for classifying QFSL as Shell Company.
- c. The Impugned Order is *ultra vires* and bad in law on the sole ground that the SEBI has not followed principles of natural justice i.e. without first setting up a case against QFSL, without affording an opportunity to explain its case and without giving an opportunity of personal hearing to QFSL, the securities of QFSL has been moved to Graded Surveillance Measure (GSM).
- d. SEBI has failed to appreciate that QFSL from time to time has complied with all regulatory compliances as per Listing Agreement and as on date there is no lapse of any nature of whatsoever in this regard.

14. Further, during the course of hearing, AR was advised to submit the following information along with full backup documentation /documentary evidence latest by October 03, 2017:

(a) In the submission given by QFSL to SEBI dated September 23, 2017, the qualification of Mr. Prakash Kumar Jajodia is mentioned as 'Matriculation'. However, in the



statement under oath (Ref: response to Question 4 in the statement) given to Income tax authorities dated August 26, 2014, he has mentioned he is B.Com. Explain the justification of such discrepancy and provide the certificates of qualifications of Mr. Prakash Kumar Jajodia.

(b) In PAN card of Mr. Prakash Kumar Jajodia, his self-attestation of PAN card submitted to income tax authorities on August 26, 2014 and his statement recording to income tax authorities, all have different signatures. Explain why such discrepancy is there and confirm the actual signature of Mr. Prakash Kumar Jajodia. If self-attestation signature is the actual signature, explain how the fraudulent signature came on PAN Card.

(c) Mr. Prakash Kumar Jajodia (Managing Director of QFSL) vide letter dated October 30, 2014 made disclosure of income of Rs. One crore to income tax authorities along with the list of companies (annexed as Annexure-A) used to generate such income. In this regard, fresh affidavit may be submitted by Mr. Prakash Kumar Jajodia mentioning the following:

- (i) How many PAN Card he has and what are the numbers of those PAN Card.
- (ii) Which were the companies in which he has facilitated accommodation entries directly/indirectly
- (iii) What was the value of such transactions
- (iv) Income earned from such transaction.
- (v) Whether there is any change in name of any of these companies? if yes, please provide earlier names and new names.

(d) Declaration from QFSL stating whether they have had any transaction with any of the companies annexed as Annexure A. If yes, then provide the following:

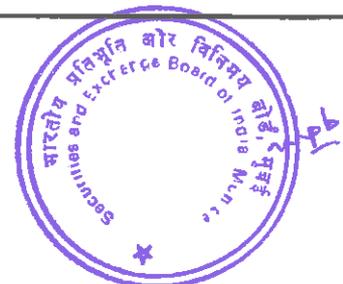
- (i) Amount of such transaction and for what purpose?
- (ii) Back up documentation and copy of contract, if any.
- (iii) Link to the business of QFSL

(e) Company has defaulted in the payment of installment of term loan and as on September 12, 2017, Rs 23.35 lakhs is outstanding. Kindly provide full details of the following:

- (i) Who are the counterparties of loan default



- (ii) Since when QFSL had defaulted on the loan
- (iii) Amount of principal
- (iv) Accrued interest
- (f) Company has more than 30 subsidiaries:
- (i) Submit the accounts filed with RoC (Registrar of companies) for all the subsidiaries and explanation as to why so many subsidiaries were required.
- (g) In FY2016-17, Company's Non-current investment is of Rs. 13.72 Crores in "Risorgimento Industrial Co. Ltd". In this regard, provide following information:
- (i) What is the percentage shareholding of QFSL in this company
- (ii) Statutory auditor's certificate on valuation of the company and basis of valuation
- (iii) What is the Link to the business
- (h) In FY2016-17, company's Long term loans and advances is Rs. 5.17 crores. Provide full break up with underlying documentation and if any of these are related party, then secretarial audit's certificate as to whether due process for related party transaction is followed or not?
- (i) In FY2016-17, company has inventories of Rs 42.83 crores:
- (i) When company has revenue of Rs. 93 lakhs, why Inventory of Rs. 42.83 crores is required, explain?
- (ii) Full break up of inventories along with address (where it is located) and auditor's certificate for valuation
- (j) In its submission to SEBI, company mentioned that no notices were served by any government agency/regulatory body to company/promoters/directors from 2010 till date. In this context, in the affidavit dated February 20, 2015 submitted by company to SEBI on September 23, 2017, it mentions that on 16.2.2015, a show cause notice was served on M/s Quest Financial Services Ltd. in which Mr. Prakash Jajodia is whole time director. Explain this discrepancy and why company has given such contradictory statements to SEBI and what is the factually correct position?



15. SEBI vide email dated September 28, 2017 has also advised QFSL to furnish the aforesaid information by October 03, 2017. QFSL vide letter dated October 03, 2017 had requested for extension of time by 10 days to submit the information sought by SEBI in its email dated September 28, 2017. SEBI vide email dated October 05, 2017 granted time till October 06, 2017 to submit the said information.

16. QFSL vide its letter dated October 06, 2017 submitted the information sought by SEBI at the time of hearing and vide email dated September 28, 2017, which are *inter alia* as under:

“

- (a) *Qualification of Mr. Prakash Kumar Jajodia, Managing Director is Matriculation and enclosed self-attested copy of Mark Sheet.*
- (b) *The signature of Mr. Prakash Kumar Jajodia in PAN Card bearing No. ACOPJ3493L and signature on his statement recording to income tax authorities are same. Any difference in the same is merely due to flow in writing process. Enclosed self-attested copy of PAN Card.*
- (c) *With reference to the letter dated October 30, 2014, regarding disclosure of income of ₹ 1 Crore to the income tax authorities, enclosed please find an Affidavit by the undersigned, wherein the undersigned confirms to have recorded an oath upon being subjected to pressure, force, coercion and without satisfaction. Further, Mr. Prakash Kumar Jajodia holds only one PAN Card bearing No. ACOPJ3493L.*
- (d) *Declaration from the Company in "Annexure-D" with respect to the Companies mentioned in the list provided in your e-mail and with whom the Company had business transaction(s).*
- (e) *Details w.r.t. payment of installment of term loan and as on September 12, 2017, Rs 23.35 lakhs:*
- a. *The counterparties of loan default-- State Bank of India, Kolkata*
- b. *Since when QFSL had defaulted on the loan - Last 6 months*
- c. *Amount of principal and Accrued interest- ₹ 23.35 lakhs*
- (f) *As on March 31, 2017, the Company has 20 subsidiaries and their business did not*



commence. Further, the Company had certain business plans and to diversify its business with least risk possible, it incorporated the aforementioned subsidiaries.

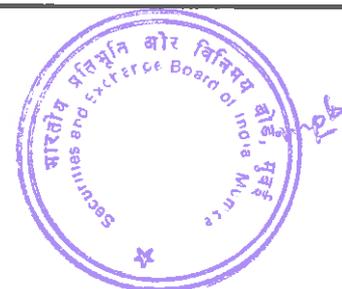
(g) In FY2016-17, Company's Non-current investment is of Rs. 13.72 Crores in "Risorgimento Industrial Co. Ltd" i.e. 4.90%. Further, the aforesaid transactions are linked to the Company's core business activities i.e., providing loan to various entities and investment in other bodies corporate. The Company is holding the shares at the rate of ₹. 102/- (approx.) per share and the last traded price is ₹ 285.60/- per share.

(h) Full Break up of company's Long term loans and advances amounting to Rs. 5.17 crores as on March 31, 2017 is enclosed.

(i) The breakup of inventory of shares as per the financial statement of 2016-17 is enclosed.

(j) The Company inadvertently omitted mentioning about the Show Cause Notice dated 16.02.2015 served on the Company. Inconvenience caused due to the same is highly regretted..."

17. Pursuant to SEBI's letter dated August 9, 2017, BSE submitted its report dated September 12, 2017 stating that, Company has submitted the auditor certificate from Anil Jain & Associates, Chartered Accountants. As per the Auditor Certificate, Company had filed income tax returns for the financial years 2013-14, 2014-15 & 2015-16 & there is pending demand of Income Tax pertaining to financial year 2011-12, Company had complied with companies act requirements & annual return filing for financial year 2013-14, 2014-15, 2015-16, Company is a going concern & a non-banking financial company and the core business activity of the company is providing loan to various entities & investment in companies, Company has defaulted in the payment of installment of term loan and as on date Rs.23.35 lakhs is outstanding which shall be paid within September 2017 and Company had complied with key clauses of erstwhile listing agreement / SEBI (LODR) Regulations, 2015 for financial years 2013-14, 2014-15 & 2015-16. However, no specific recommendation was made by BSE.



Consideration:

18. On perusal of the materials available on record, the following prima facie/potential issues arise for consideration.

- (a) *Whether there is prima facie evidence of misrepresentation including of its financials and/or its business and 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 account/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore the board, controlling shareholders and KMP are renegeing on the fiduciary responsibility cast on them.*
- (c) *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.*

19. 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 including of its financials and/or its business and possible of 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 account/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore the board, controlling shareholders and KMP are renegeing on the fiduciary responsibility cast on them.*

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

- (a) During the course of hearing, Company was advised to submit a fresh affidavit from Managing Director. Mr. Prakash Kumar Jajodia *inter alia* with respect to the companies in



which he has facilitated accommodation entries directly/indirectly, the value of such transactions and income earned from such transaction. However, company had failed to submit fresh affidavit from Mr. Prakash Kumar Jajodia.

- (b) The Company had submitted a list of entities to whom Loans & Advances of Rs. 5.17 Crore had been granted during 2016-17, however, it has failed to submit the underlying documents. Further, QFSL was asked whether these entities were related party and secretarial audit certificate as to whether due process for related party transaction was followed or not. The Company has failed to state that whether these entities are related party. Further, in the absence of underlying documents/contract, it raises a concern whether such transactions were actually done for the business of QFSL or for some other purpose. Thus, there appears to be *prima facie* suspicion about the genuineness of the transaction and whether due process was followed by QFSL to provide loans and advances to these entities.
- (c) On analysis of banks statement of QFSL, Account number 2213214000051 of Canara Bank, for the period April 2016 to July 2017, it is observed that there are entries of funds received by QFSL from single/multiple entities and transferred to other entity/entities on the same / next day. This does not appear to be consistent with a normal lending pattern of NBFCs. This pattern of back-to-back transactions leads to suspicion that the books of accounts may have been used to facilitate accommodation transactions. Few sample instances from the bank statements are as follows:

29-Apr-2016 11:58:32	29-Apr-2016		RTGSIW:MS COMET TECHNOCOM-SYNBR9201604290038869	20,00,000.00	20,58,417.03
29-Apr-2016 14:03:46	29-Apr-2016		SC RTGS AFTER 13.00 ABOVE 5L	55.00	20,58,362.03
29-Apr-2016 14:03:46	29-Apr-2016		ST ON SC	8.00	20,58,354.03
29-Apr-2016 14:09:12	29-Apr-2016	802039	RTGSOW:RIFTY REAL ESTATE PVT LTD-CNRBR52016042900569697	20,00,000.00	58,354.03
09-Aug-2016 15:06:33	09-Aug-2016	802075	RTGSOW:JAGTARNI TRADERS PVT LTD-CNRBR52016080900721676	20,00,000.00	34,743.49
09-Aug-2016 16:16:31	09-Aug-2016	000000315184	Funds Transfer from SHEILPUTRI TRACOM PR	20,00,000.00	20,34,743.49



22-Aug-2016 11:21:07	22-Aug-2016		LTD-CNRBR52016082200198522		
			RTGSIW:CASTLE INFRASTRUCTURE	20,00,000.00	20,14,240.49
22-Aug-2016 13:11:34	22-Aug-2016	802088	PVT LTD-SBMYR52016082202256662		
			RTGSOW:JAGTARNI TRADERS PVT	20,00,000.00	14,240.49
22-Aug-2016 13:13:12	22-Aug-2016		LTD-CNRBR52016082200501575		
			SC:DTGS ACTED 19.08.2016		

(d) From Financial statement of 2016-17, it is observed that QFSL has revenue of Rs. 93 lakhs and inventory of Rs. 42.83 Crores. Therefore, during the course of hearing, QFSL was advised to provide full break up of inventories along with address (where it is located) and auditor's certificate for valuation. The company had provided the list of break-up of inventory of shares as per the financial statement of 2016-17. It is noted that the shareholding/ inventory of shares provided by QFSL and shareholding of QFSL as on March 31, 2017 provided by the Depositories is not matching. The details are as under:

<u>Name of the scrips</u>	<u>Shareholding as per QFSL submission (No. of shares)</u>	<u>Shareholding as per Depository data (No. of shares)</u>
Scripts not shown in submission of QFSL but available in shareholding		
REAL TOUCH FINANCE LIMITED EQ*	-	25000
SHREE NIDHI TRADING COMPANY LIMITED	-	37456
NIKKI GLOBAL FINANCE LIMITED EQ	-	149
Scripts shown in submission of QFSL but having different shareholding		
APPU MARKETING & MANUFACTURING LTD	281867	53086
DWITIYA TRADING LIMITED EQ	47225	22525
KWALITY CREDIT & LEASING LIMITED	7391	7144
RISA INTERNATIONAL LIMITED	276995	274500
TTI ENTERPRISE LIMITED EQ	340312	68062
TUNI TEXTILES MILLS LIMITED EQ	211981	201331
UNNO INDUSTRIES LIMITED EQ	1150401	867902
Scripts shown in submission of QFSL but not available in shareholding		
Bajaj Hindusthan Sugar Ltd.	200	-

* QFSL submitted Associated ceramics Ltd., however earlier name of REAL TOUCH FINANCE LIMITED is Associated Cereals Ltd.



Thus, the investments/inventory of shares as per the financials have a significant discrepancy with the holdings available in depositories as on March 31, 2017 leading to *prima facie* evidence that the company has misrepresented its investments/financials.

21. From the above I note the followings:

- (a) That Company has failed to submit the documents to substantiate its long term loans and advances. Thus, there appears to be *prima facie* suspicion that related party transactions have been entered into without due process.
- (b) That there is *prima facie* suspicion that the company is being used as a conduit to facilitate multiple transactions between entities/individuals including possible accommodation entries resulting in misuse of funds / books of accounts.
- (c) That there appears to be *prima facie* evidence that the company has misrepresented its investments/financials.

22. Thus, there is *prima facie* evidence of misrepresentation of business/financials as well as suspicion of misuse of funds/ books of accounts of the company. The directors & KMPs have therefore *prima facie* failed to discharge their fiduciary responsibility. The company is also liable for the *prima facie* violations observed and it is imperative that in the interest of investors, the financials of the company be independently audited to establish their genuineness.

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.*

23. In view of the *prima facie* evidence on the misrepresentation of financials/business by the company and suspicion of misuse of funds/ books of accounts, 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.

24. The findings in this order have been rendered on the basis of the prima facie evidence available at this stage. Detailed examination / forensic audit needs to be undertaken to unearth the entire extent of violations.
25. Further, pending enquiry/ audit, considering the interest of public shareholders involved in QFSL, I find it is appropriate to revert the trading in the securities of QFSL to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
26. In view of the above, I am of the view that following urgent interim actions are required to be taken, pending further enquiry/audit.

INTERIM ORDER

27. 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, subject to para 27(iv) of this order, the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against M/s Quest Financial Services Limited as under:

- i. The trading in securities of QFSL shall be reverted to the status as it stood prior to issuance of letter dated August 7, 2017 by SEBI.
- ii. Exchange shall appoint an independent forensic auditor *inter alia* to further verify:
 - a. Misrepresentation including of financials and/or business of QFSL, if any;
 - b. Misuse of the books of accounts / funds including facilitation of accommodation entries, if any.



- iii.* The promoters and directors in QFSL are permitted only to buy the securities of QFSL. The shares held by the promoters and directors in QFSL shall not be allowed to be transferred for sale, by depositories.
- iv.* The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d), as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against M/s Quest Financial Services Limited.
28. The '*directors*' for the purpose of direction mentioned at para 27(iii) above shall mean and include:
- (a) the persons who are acting as directors on the date of this order, or
 - (b) the persons who are acting as directors of this company as on August 07, 2017, who cease to be director, by way of disqualification by any other authority, or by way of resignation or by any other means, on or after August 07, 2017.
29. Accordingly the representation of M/s Quest Financial Services Limited is disposed of.
30. The above directions shall take effect immediately and shall be in force until further Orders.
31. The prima facie observations contained in this Order are made on the basis of the prima facie material available on record. In this context, M/s Quest Financial Services Limited is advised to file its reply/objections to this interim order. The company, within 30 days from the date of receipt of this Order, may file its reply, if any, to this Order and may also indicate in the reply whether it desires to avail an opportunity of personal hearing on a date and time to be fixed on a specific request made in that regard, if any. In the event of M/s Quest Financial Services Limited failing to file reply or requesting for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and ad-interim directions at para 27 above shall stand confirmed automatically, without any further orders.



32. Copy of this Order shall be forwarded to the recognised stock exchanges & depositories 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.

DATE: OCTOBER 11th, 2017

PLACE: MUMBAI



Madhabi Puri Buch

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA