



National Steel & Agro Industries Ltd.

11th December, 2017
Ref. No.: NSAIL/SEC/2017

To,
BSE Limited.
1st Floor, New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai - 400 001

To,
National Stock Exchange of India Limited
'Exchange Plaza', C-1, Block G,
Bandra - Kurla Complex,
Bandra (E)
Mumbai 400 051

Sub: SEBI has allowed the Company to proceed with proposed QIP Issue


Dear Sir / Madam,

Pursuant to the provisions of Regulation 30, we would like to inform you that SEBI has allowed the Company to proceed with proposed QIP Issue vide its order ref. no. WTM/MPB/ISD/106/2017 dated 8th December, 2017.

The aforesaid SEBI Order is attached herewith.

Kindly take the same on your record.

Thanking you,
Yours faithfully,
For National Steel and Agro Industries Limited


11/12/2017
Pankaj Gupta
Company Secretary
Membership No: FCS-9219
Encl.: As above



BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

DISPOSAL OF THE REPRESENTATION OF NATIONAL STEEL & AGRO INDUSTRIES LTD.

- 1) Securities and Exchange Board of India (“SEBI”) undertook a preliminary examination in respect of trading in Castor Seed Contracts on the platform of National Commodity & Derivatives Exchange Ltd. (hereinafter referred to as “NCDEX / the exchange”) for the period January 01, 2016 to January 27, 2016 (hereinafter referred to as the “examination period”). The preliminary examination was conducted after NCDEX, under the provisions of its Rules, Bye-laws and Regulations, suspended the trading in Castor Seed Contracts at the close of business hours, vide its circular (NCDEX/TRADING-007/2016/012) dated January 27, 2016.
- 2) Pursuant to the preliminary examination, SEBI vide an *ad interim ex parte* order dated March 2, 2016 (hereinafter referred to as the “*interim order*”) restrained certain Commodities Trading Members and their defaulting clients from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions.
- 3) Thereafter, in connection with the same examination, vide a separate order dated May 24, 2016, SEBI restrained two more entities namely, National Steel and Agro Industries Limited (“NSAIL”) and Ruchi Soya Industries Limited, *from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions*. The directions issued *vide interim order* dated May 24, 2017 were confirmed *vide confirmatory order* dated March 8, 2017.
- 4) While the proceedings pursuant to the interim order were in progress, NSAIL had sought SEBI's permission for proceeding with its Qualified Institutional Placement (QIP). In that regard, vide order dated December 23, 2016, SEBI ordered as under:

“4. From the documents submitted by NSAIL, it is noted that the QIP Issue was approved by the Board of Directors and the shareholders of NSAIL. The outcome of board meeting held on March 30, 2016 was intimated to the NSE

and BSE by NSAIL vide its letters dated March 30, 2016 and the same is also available on the website of respective stock exchanges. The proposal to go for a private placement and raise funds through QIP preceded the subject interim order. It was further submitted by NSAIL that if the QIP process is stalled, they will have to face financial crunch in its operations and the growth of the company and its employees will be adversely affected. In my view, NSAIL has sufficiently made out a case as to why the proposed QIP Issue, should not be stalled so as to allow it to meet the needs of its business. I do not find that the interim order dated May 24, 2016 had envisaged a specific restraint of the QIP issue floated by NSAIL. I note that the said interim order was part of the measure taken against several entities involved in the closing out of Castor Seed contracts at NCDEX in January 2016, due to the interplay of a group of entities and that the investigation into the same is being conducted separately. While I consider the proposal whether or not to allow the QIP of NSAIL, in the light of its submissions and the documents made available in this connection, I wish to keep all questions related to its role in the alleged fraudulent and manipulative activities open and the investigations pending in the matter may not be prejudiced in any manner by this order.

5. In view of the aforesaid facts and circumstances, I find it appropriate to accede to the request of interim relief sought by NSAIL. Accordingly, NSAIL may proceed with the QIP Issue as approved by the Board of directors and shareholders of the company, in accordance with law.”

- 5) Vide letter dated September 6, 2017, NSAIL made another representation to SEBI, inter alia, submitting the following:

“1. Subsequent to suspension of Castor Seeds Contracts by NCDEX vide its circular dated January 27, 2016, SEBI after examination, has passed an ad-interim ex-parte order on March 2, 2016 whereby it has restrained 16 entities from buying, selling or dealing in securities market till further directions. Based on the preliminary examination of circulation/ transfer of funds used for creating position in Castor Seeds Contracts, SEBI has subsequently passed an another ex-parte ad-interim order dated May 24, 2016 ("Order") against two entities including National Steel and Agro Industries Limited ('the Noticee / NSAIL') for the alleged violation of section 12A of SEBI Act, 1992 and regulations 3(a), 3(d), 4(1), 4(2)(a) and 4(2)(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations"). Further vide the same Order, pending investigation, SEBI has

restrained the Noticee from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions. The said directions were confirmed by SEBI vide its confirmatory order dated March 8, 2017.

2. The Noticee vide NSAIL Board Meeting dated March 30, 2016 had decided to issue equity shares by way of Qualified Institutions Placement ('QIP Issue') which was also subsequently approved by shareholders of the Noticee through postal ballot on May 19, 2016. Due to adverse directions passed in the Order, the Noticee had asked SEBI's permission for proposed QIP Issue. SEBI vide its Order dated December 23, 2016 acceded to the Noticee's request and allowed the Noticee to go ahead with its QIP Issue.

3. The Noticee has not been able to complete its QIP issue due to following reasons:

a. As per Shareholders' approval, allotment pursuant to special resolution was to be completed within a period of twelve months from the date of passing of special resolution. The Noticee had passed special resolution in respect of QIP Issue on May 19, 2016, but the QIP process was halted due to the ad interim ex parte order dated May 24, 2016. Subsequently, SEBI allowed the Noticee to go ahead with QIP on December 23, 2016 though the application for seeking SEBI's approval was made on July 28, 2016. The delayed approval from SEBI left the Noticee with less than 5 months to complete the whole process of QIP issue on or before May 18, 2017.

b. SEBI's adverse order had a serious impact on the saleability of QIP issue at the price originally envisaged at the time of taking shareholders' approval.

c. Considering the overall impact of SEBI's order and market conditions prevailing at that relevant time some of Qualified Institutional Buyers (QIBs) also lost interest in the proposed QIP resultantly the Noticee could not complete the QIP Issue within the stipulated period.

4. The Noticee has once again started the process of QIP issue and passed Board Resolution on May 22, 2017...

5. SEBI vide its ad interim ex parte order dated May 24, 2016 restrained the Noticee from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions. The said direction was confirmed by SEBI vide its confirmatory order dated March 8, 2017. Strictly speaking, the said directions do not prohibit the Noticee from accessing the securities market but by way of abundant precaution the Noticee had applied for SEBI's approval for proceeding with the QIP issue. Learned Whole Time Member recognised this aspect in his Order dated December 23, 2016 while

granting permission for QIP issue, as follows:

"I do not find that the interim order dated May 24 2016 had envisaged a specific restraint of the QIP issue floated by NSAIL"

6. It is therefore requested that SEBI kindly may either confirm that its interim orders do not prohibit the Noticee from accessing the securities market or it may grant general permission to the Noticee for raising funds from the market by way of QIP issue, preferential allotment, FPO, Rights Issue, Bonus Issue, etc. as and when required.

7. NSAIL also requests SEBI to give interim relief on all the restrictions, till the final judgment is given. NSAIL business needs are getting affected including its business competitiveness and survival. Please also note that around 2000 families are dependent directly and indirectly on the performance of NSAIL. Hence, NSAIL requests SEBI to quickly give us interim relief on all the restrictions, if the investigations are going to take more time."

- 6) NSAIL, vide the said letter dated September 6, 2017, had also requested for an opportunity of personal hearing to present its case. Acceding to the said request of NSAIL, an opportunity of personal hearing was given to it on November 30, 2017 when its authorized representatives appeared and made the following submissions:
- i) Previously, vide order dated December 23, 2016, SEBI had allowed the company to make QIP. The shareholders' approval in that regard was taken in May 2016 but the same could not be executed because of unfavourable market conditions and loss of interest of the investors.
 - ii) NSAIL now proposes to raise Rs. 60 crore through a qualified institutional placement. The company has taken the requisite shareholders' approval for the same. Out of this amount, the company intends to use Rs. 23 crore for redemption of preference shares, and the remaining 37 crore, it intends to use for setting up a Dal (pulse) processing unit.
 - iii) In the interim order, the allegations against the company related to its transactions in the commodities market but SEBI had restrained it from dealing in the entire securities market. The regulatory purpose would have been better served if the directions were limited only to the commodities market.
 - iv) The company is in need of funds for its routine operations. The company has around 600 employees, and another 2000 persons are also dependent on the company for livelihood.

- v) The company's request for grant of approval may be considered as it was not been restrained from "accessing the securities market" vide the interim order.
 - vi) The company may be granted a general approval to make issuances in order to cover situations that may arise in future. Such grant of approval would be in the interest of all stakeholders.
- 7) I have considered the submissions on behalf of NSAIL and other material on record. It is noted that addressing the representations of NSAIL, SEBI vide order dated December 23, 2016, had granted the interim relief to NSAIL permitting it to proceed with the QIP Issue as approved by its Board of directors and shareholders of the company, in accordance with law. However, vide its application dated September 6, 2017, NSAIL has once again sought permission for proceeding with its QIP as it had failed to proceed with the QIP because of unfavorable market conditions and loss of interest of the investors. NSAIL has also provided justification as to why it failed to complete its QIP, permission in respect whereof was already given by SEBI.
- 8) NSAIL has now submitted that it has again started the process of QIP issue and has passed the requisite board Resolution. Vide the present application, NSAIL has sought to proceed with the QIP pursuant to the said board resolution. NSAIL has also provided explanation regarding the requirement of funds which it intends to utilize for setting up a Dal processing unit and for redemption of preference shares. Considering the above, I find that NSAIL has made out a case that it has a genuine requirement of funds which it intends to raise from qualified institutional buyers through QIP. It is noted that vide the order dated December 23, 2017, SEBI had observed that the interim order dated May 24, 2016 did not envisage a specific restraint on QIP to be made by NSAIL. On a perusal of the material on record, I concur with the said reasoning given in SEBI's order dated December 23, 2016. In view of the above discussed facts and circumstances, I find it appropriate to allow NSAIL to proceed with its proposed QIP Issue in accordance with law.
- 9) Apart from the above request, NSAIL vide letter dated September 6, 2017, has also made a request for grant of interim relied on all the restrictions imposed vide the interim order dated May 24, 2016. In this regard, I note that vide the confirmatory order dated March 8, 2017, the directions issued against NSAIL have already been confirmed as it failed to give any satisfactory explanation for its acts and omissions as described in the interim order and was not able to

make out a prima facie case for revocation of the interim order. The prayer of NSAIL for complete removal of the restraint imposed upon it was also rejected vide the said order dated March 8, 2017. Therefore, the request of NSAIL for grant of relief on all restrictions imposed vide the interim order cannot be considered since the said request has already been considered and disposed of by SEBI vide the confirmatory order dated March 8, 2017.

- 10) It is hereby clarified that the present order is being passed only to address the request of NSAIL for proceeding with the QIP issue since the order of SEBI dated December 23, 2016 was passed with specific reference to NSAIL's previous shareholders' resolution dated May 19, 2016 which ceased to be valid on May 18, 2017 in terms of the ICDR Regulations.
- 11) The directions issued vide the interim order dated May 24, 2016 read with the confirmatory order dated March 8, 2017 against NSAIL shall continue to be in force until further orders.
- 12) The representation filed by NSAIL dated September 6, 2017 is accordingly disposed of.
- 13) This order is without prejudice to any action that may be taken by SEBI against NSAIL upon completion of investigation in the matter.

Sd/-

DATE: December 8, 2017
PLACE: MUMBAI

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