

GIL/KOL/2017-18
December 30, 2017

Bombay Stock Exchange Limited Floor 25, P J Towers, Dalal Street, Mumbai- 400 001. INDIA.	National Stock Exchange of India Limited "EXCHANGE PLAZA", Bandra - Kurla Complex, Bandra (East), Mumbai- 400 051. INDIA.
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Dear Sir/Madam,

SUB: DISCLOSURE UNDER REGULATION 30 OF THE SEBI (LODR) REGULATIONS, 2015

REF: Order of National Stock Exchange Limited in the matter of Gallantt Ispat Limited

This is with reference to Securities and Exchange Board of India ("SEBI") order bearing no. SEBI/HO/ISD/OW/P/2017/18183 dated August 07, 2017 whereby name of our Company was included amongst the list of suspected "331 Shell Companies" and shares of the Company were shifted to Graded Surveillance Measures (GSM) VI category with effect from August 08, 2017. As a result of such order the shares of the Company are restrictly traded since August 08, 2017.

In the interest of the investors the Company on November 23, 2017 has preferred an Appeal before the Honorable Securities Appellate Tribunal ("SAT") to set aside the order of SEBI as above and to normalize the trading in shares of the Company.

In this regard, the Honorable SAT after hearing the appeal on November 29, 2017 has disposed off the appeal by directing National Stock Exchange (NSE) to pass appropriate order within a period of **six weeks** from November 29, 2017 and the appeal as above was disposed of by Honorable SAT.

During this period of six weeks an Independent Auditor appointed by NSE submitted its report on December 01, 2017 making few observations all of which were satisfactorily addressed by the Company. On December 15, 2017 NSE also granted an opportunity of personal hearing to the Company where the representatives of the Company submitted their representations and successfully answered to some queries raised by the Exchange officials.

Since SEBI vide its letter bearing no. SEBI/HO/ISD/ISD/OW/P/2017/26891 dated November 02, 2017 has delegated powers to stock exchanges to perform direct fact finding exercise and dispose of the representations received by them directly from the Company, NSE based on such powers conferred to it by SEBI has revoked the actions envisaged in

GALLANTT ISPAT LIMITED

1, CROOKED LANE, SECOND FLOOR, ROOM NOS. 222 & 223, KOLKATA - 700 069
Tel. : 033-4064 2189, Telefax : 033-2231 2429, e-mail : gil@gallantt.com, Website : www.gallantt.com
Factory : AL-5, Sector-23, Sahjanwa, District - Gorakhpur-Uttar Pradesh
Corporate Identification No. : L27109WB2005PLC101650

GALLANTT ISPAT LIMITED

[Signature]
Company Secretary

SEBI's letter dated August 07, 2017 and the consequential actions taken by National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) against **Gallantt Ispat Limited, its promoters and directors.**

Company no longer falls under the list of suspected "Shell Companies" and shares of the Company will be shifted from Graded Surveillance Measures (GSM) VI category and trading in shares will be normalized w.e.f. January 01, 2018.

Company would like to thank the investors, shareholders and customers for their continued support and the confidence that they have reposed in the Company during this period.

We have also enclosed herewith the Order of NSE and circulars issued by both stock exchanges i.e. NSE and BSE.

This is for your record and information

Thanking you,

Yours faithfully,

GALLANTT ISPAT LIMITED

GALLANTT ISPAT LTD.



Company Secretary

Nitesh Kumar

(CS & COMPLIANCE OFFICER)

Encl: As above

BEFORE THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Under Chapter IV, Clause 16 of Bye laws of National Stock Exchange of India Limited in the matter of Gallantt Ispat Limited

Background of the 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.
2. In the interest of investors, SEBI, vide its letter dated August 7, 2017, took the pre-emptive interim measures under section 11(1) of SEBI Act in respect of listed shell companies including *Gallantt Ispat Limited*. SEBI directed stock exchanges to place trading restrictions on promoters/directors so that they do not exit the company at the cost of innocent shareholders and place the scrip in the 'trade to trade' category with limitation on the frequency of trades and imposed a limitation on the buyers by way of 200% deposit on the trade value, so as to alert them on trading in the scrip. The said measures were directed 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, 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 stock exchanges complete their detailed examination of such companies.
3. Pursuant to the above, National Stock Exchange of India Limited (NSE), 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 including *Gallantt Ispat Limited* communicated by SEBI, with effect from August 8, 2017.
4. On August 9, 2017, SEBI further advised NSE 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.

5. Pursuant to the above, NSE, sent an e-mail/letter dated August 9, 2017 to all the companies including *Gallantt Ispat Limited* requesting to submit auditor's certificate giving following information:-
 - a. Status of filing its annual income tax return for last three years and status of any pending disputes with Income Tax Department, if any.
 - b. Status of company's compliance with all requirements of Companies Act and annual returns filing during last three years.
 - c. Whether Company is going concern and description of its business model. Bank Statements of last one year with active/dormant status.
 - d. Status of Company with respect of default to any bank/financial institution.
 - e. Status of Company's compliance with all the listing regulation requirements for a period of last three years.
6. The Company filed its reply to NSE vide its letter dated August 14, 2017 and stated as under:-
 - a. The auditor has certified that the Company has filed Income Tax returns for the last three years for 2013-14, 2014-15 and 2015-16. The auditor has also provided details of the pending dues of the Company with the Income tax department.
 - b. The Company is in compliance with the requirements of the Companies Act, 2013 and annual return filing during last three years.
 - c. The Company is a going concern and is engaged in manufacturing of various Steel products viz., Sponge Iron, Billets, TMT Bars under the brand name "GALLANTT" and other similar products.
 - d. The Company has not in default to any Bank / Financial institution.
 - e. The Company is regular in Compliance with the Listing Regulations for the period of Last three years.
7. An opportunity of personal hearing was granted to *Gallantt Ispat Limited* on September 11, 2017 wherein its authorized representative Mr. Amit Jalan, Chief Finance Officer & Mr. Nitesh Kumar, Company Secretary appeared and made submissions in line with its written representations on record :-
 - a. The Company has captured a substantial market of Sponge Iron, M.S., Billets, Re-Rolled products (TMT bars) and wheat flour products in the state of Uttar Pradesh
 - b. An amount of Rs.156 crores was sanctioned and disbursed to the Company by State Bank of India and other consortium member banks which was due to be



- repaid by 2016; but the Company has repaid the entire loan well in advance in 2014; thus making the group debt free except for the working capital loan.
- c. Presently company is utilizing cash credit limits from time to time based on its business requirement and have been regular in payment of interest and other financial cost to the Bank. The Company stated that they have never defaulted in repayment of loan or payment of interest.
 - d. Company have made payment of all statutory dues such as Excise duty, VAT, Entry Tax, Electricity, and Railway Freight to the Government department for preceding 3 years.
 - e. With respect to 2015-16 ITR, Company has electronically filed the same on 30.09.2016. Notice u/s 143(2) had been received on 08.08.2017 and the assessment proceedings are under process.
8. Based on the above submission made by the company, NSE vide its report dated September 12, 2017 submitted a report to SEBI.
 9. SEBI vide its letter dated November 2, 2017 further directed stock exchanges to dispose of the representations received by them directly from the company (other than cases where The Hon'ble SAT has directed SEBI to dispose of the representations) in terms of Bye-laws and statutory powers conferred upon them.
 10. Pursuant to the above communication receive from SEBI, an Independent Auditor viz., M/s. JMR & Associates, Chartered Accountant was appointed on November 22, 2017 to examine and offer observations/comments on the following:
 - a. Whether the financial statement reflect a genuine business model, possible misrepresentation.
 - b. Whether from the financial accounts and auditor's comments company is going concern.
 - c. Whether cash flow statement and bank statement show any fudging.
 - d. Comment on high value transactions reflecting in bank statements and its relevance to the business of the company.
 - e. Whether any "Window Dressing"/ "Creative Accounting" appears in financial statements.
 - f. Comment on utilization of funds, especially investments in subsidiaries or productive assets, inter corporate deposits, raising of funds through bank borrowings, debt securities or any other manner.
 - g. Comments on Related party transaction disclosed in Annual Report.
 - h. Whether bank account of the company shows possible round tripping of funds or accommodation transactions.
 - i. Comment on shareholding pattern - Promoter holding, public shareholding,



number of such shareholders and their relationship with promoter and promoter group if any, whether the company is promoter driven or professionally managed.

- j. Background checks of the company/ directors/ promoters based on public information.
 - k. Observations on the disclosure made under Management Discussion Analysis
 - l. Observation of change in Board of Directors and KMPs'.
 - m. Whether there are any capital work in progress and its developments over last three years.
 - n. Observation on any abnormal variation in line items in financial statements
11. The independent auditor, M/s. JMR & Associates, Chartered Accountant has submitted its report on December 01, 2017 with the following Observations :-
- a. Gallantt Ispat is a part of the Gallantt Group. Gallantt Ispat Limited is a manufacturing as well as a trading Company. Company manufactures primarily Steel Products, Wheat Products, Power and has recently entered the Real Estate Business by setting up project Shalimar Gallantt, Mahanagar, Lucknow.
 - b. From the analysis of various financial ratios, it seems that the Company has a genuine business model. The company is a going concern and it seems that the Company has no indicators of situations or factors which may caste a significant doubt on the fundamental assumption of Going concern.
 - c. From bank statements it is observed that company had drawn demand drafts regularly.
 - d. In the Financial Year 2014-15 we have observed that the Company has made a total sales of Rs. 235.36 Lacs to it's Key Managerial Personnels and it seems unlikely that sales would be related to anything other than it's Agricultural Products. However, in our opinion it is unusual for such small group of people to consume such high amounts of Agricultural Produce even in a given year's time.
 - e. The Company acquired 2 Subsidiaries in 2015-16 being: Shree Surabhi Wheat Products Pvt Ltd. and Shree Surabhi Flour Mills Pvt Ltd.
However in the next year itself the Company disinvested it's stake in the two subsidiaries reason being requirements of funds for expansion purpose. In the same year the Company borrowed Rs.3,619.32 Lacs from it's subsidiary and repaid the same before the year end. These string of transactions seem unusual as no Company would make huge investments randomly without any Prior planning.
 - f. There was an explosion inside a blast furnace at the Gallantt Ispat Ltd plant in Sahjanwa, Gorakhpur, Uttar Pradesh, killed one person and injured three others on August 6. According to local reports, an explosion in a furnace engulfed one worker operating a hydraulic machine inside the factory and burned three others



nearby.

- g. It is observed that there was no change in the composition of the Board of Directors in the Financial 2014-15 and 2015-16.
 - h. In the financial 2016-17 the CFO of the Company Mr. Amit Jalan resigned on March 03, 2017 and was re-appointed on March 18, 2017. Mr. Anurag Kumar Khetan who had consented to be the new CFO could not join in due to health reasons and hence Mr. Amit Jalan re-appointed so the question arises that why did Mr. Amit Jalan resign in the 1st place if he was to be re-appointed later within a few days.
 - i. For the F.Y. 2015-16 the Company declared a dividend @ 10% on the face value of its shares. Accordingly, the Company should have created a provision in the books of accounts for the year ended 31st March, 2016. However, the Company has not created any such provision in its books of accounts.
12. An opportunity of personal hearing was granted to Gallantt Ispat Limited on December 15, 2017 when its authorized representative Mr. Amit Jalan, Chief Finance Officer & Mr. Nitesh Kumar, Company Secretary appeared. In the hearing, the Exchange officials inquired about the following issues pointed out by the Independent auditor in their audit report –
- a. Reason for purchase of Demand drafts on regular basis.

Company Reply:

Demand Drafts are purchased from the Bankers of the Company generally to make payment to railway authorities against freight for transportation of raw materials from the origin site to our Railway siding at Sahjanwa, Gorakhpur, Uttar Pradesh. Since the amount of railway freight is being calculated after loading of rack as such exact amount of freight is not known in advance. Time of payment is also dependent on the loading of the rack which is subject to availability of rack. In these circumstances generally we are in practice of buying demand drafts and to use the same to make on spot payment to railway in different denomination to utilize them as per requirement.

Company has submitted a bank certificate certifying issuance of demand drafts in favour of railways.

- b. Relationship with Gyan Jyoti education Foundation and reason for funds payment.

Company Reply:

Gyan Jyoti Foundation is a trust. Company has not taken fund from trust but has paid Rs.55.00 Lacs as contribution towards Corporate Social Responsibility (mandatory contribution of 2%) Contribution to the trust has been made through

A handwritten signature in blue ink is written over a circular purple stamp. The stamp contains the text "GALLANT ISPAT LIMITED" around the perimeter and "KOLKATA" in the center.

RTGS and payment has been acknowledged by Gyan Jyoti Education Foundation.

Company has submitted Money Receipts for the same.

- c. Details of freight paid to railway for transport of raw materials to railway siding.

Company has submitted Railway receipt towards payment of freight for transportation of raw materials.

- d. Details of transaction related to Shree Surabhi Flour Mills pvt. Ltd. and Shree Surbhi Wheat Products Pvt. Ltd.

Company Reply:

Company had acquired two subsidiary Companies through acquisition of shares viz. Shree Surabhi Flour Mills Private Limited and Shree Surbhi Wheat Products Private Limited. Post acquisition of subsidiaries Company has sold two flour mills units to each of the subsidiaries. For the purposes of the sale of the flour mills units Company has complied with the applicable provisions of the Companies Act, 2013 and SEBI Regulations. Company has obtained approvals of the shareholders through Special Resolution. Company has disposed of both the Subsidiary Companies for meeting the fund requirements of the Company for expansion of the capacity of the unit and general corporate purposes. Both the flour mills units are being run by respective Companies successfully.

Company has submitted Notice and Shareholders Resolutions.

- e. Details of sale to KMP worth Rs. 2.35 Crores under Related Party Transaction in FY 2014-15.

Company Reply:

During financial year company has entered into following transactions:-

Name of party	Nature of the transactions	Value of the transactions
1. Mr. Chandra Prakash Agrawal, Managing Director	Sale of company's products – M.S. Bar at prevailing market price	Rs. 13.92 Lacs
2. Mr. Nitin M Kandoi, Whole time Director of the company	Sale of Company's Products - M.S. Bar at prevailing market price	Rs. 6.59 Lacs
3. Mr. Santosh Kumar Agrawal, Whole time	Sale of land of the company at Government circle rate	Rs. 107.32 Lacs



Director of the company		
4. Mr. Prem Prakash Agrawal	Sale of land of the company at Government circle rate	Rs. 107.32 Lacs

f. Details regarding death of the worker at the factory

Company Reply:

One of the workmen of company factory Late Upendra Shah was dead on August 06, 2014 due to sudden fire on the furnace of the factory at Sahjanwa, Gorakhpur, Uttar Pradesh. The Company has taken immediate and effective steps to rescue the injured workman and taken him the nearest hospital wherein he was declared dead. Relevant information was submitted by the Company to the local authorities including the Local Police Station. Company has well taken care of the accident and also satisfied wife of the deceased by giving her compensation on humanitarian ground and also ensured that she should get all due benefits from the ESI and PF departments. Being satisfied with the action taken by the company she (wife of deceased) filed an affidavit on 15.02.2017 in the court of Chief Judicial Magistrate Gorakhpur and requested to close the case. The request was finally accepted by the court and relevant orders were passed on 17.03.2017.

Company has submitted relevant documents i.e. Letter / information to Police and Director of Factories, order of the court along with affidavit filed by the wife of deceased.

g. No provision made for dividend in annual accounts of company in year 2016.

Company Reply:

During the Financial Year 2015-16, Company has declared and paid Interim Dividend to the Shareholders of the Company. Since, the dividend was already paid on March 31, 2016, hence no provisions were made in the books of the Company. Dividend payment was accounted for in the books of the Company.

h. Issuance of multiple cheques to the same party on the same day.

Company Reply:

Company is in practice of buying and procuring raw materials from the open market to cater the needs of production facilities. Often it happens that the purchase department of the company concludes purchases of raw materials and other spares from single party in one or more than one trenches in single day. Price of raw materials varies many times in single day due to the effect of international economic changes and volatility in the prices of raw materials. Practically, depending upon the requirements of raw materials and decision of the purchase department, company used to enter into one or more business dealings (souda).



Issuance of multiple cheques in a single day to the same party is practical aspect of business dealing and is dependent upon the various factors and is done in the best interest of the company. It is a matter of business judgment of the purchase department, which together keeps in mind the market conditions, short supplies or non-availability of raw materials at present price, price volatility etc.

- i. Resignation of Mr. Amit Jalan as CFO and his reappointment

Company Reply:

Mr. Amit Jalan, due to his personal reason, had tendered resignation from the post of CFO effective from February 03, 2017. Effective from the same date Mr. Anurag Kumar Khetan was appointed as a CFO. Despite several reminders Mr Anurag Kumar Khetan did not join the Company and he has been removed from the post of CFO. In the meantime, Mr. Amit Jalan agreed and consented to join the Company in the same post. Hence, Mr. Amit Jalan has been once again appointed as a CFO effective from March 18, 2017.

- j. Summary of any dealings of the Company with or through Mr. Virendra Kumar Keshari either directly or indirectly, and the nature and quantum thereof with supporting documents

Company Reply:

Mr. Virendra Kumar Keshari is a Chartered Accountant. He was associated with the Company as an Independent Director. He was appointed on the Board of the Company effective from October 10, 2009. Except as an Independent Director, Mr. Virendra Kumar Keshari had no pecuniary relationship or transactions with the Company. The Company has never entered into any business or other transactions with Mr. Virendra Kumar Keshari either directly or indirectly. He is an independent Chartered Accountant.

- k. Details of association with the company with Mr. Virendra Kumar Keshari either directly or indirectly

Company Reply:

Mr. Virendra Kumar Keshari was appointed on the Board of the Company effective from October 10, 2009. He was associated with the Company only as an Independent Director. Company has never entered into any transactions either directly or indirectly with him.

- l. Details of directorship of Mr. Virendra Kumar Keshari in the company including role, period of directorship, reason for resignation, etc. with supporting documents

Company reply:

Mr. Virendra Kumar Keshari was an Independent Director on the Board of the Company. Due to his preoccupation and other difficulties, he tendered his



resignation from the Directorship of the Company effective from February 14, 2012. He was not engaged in the day to day activity of the Company. His role was related to participation in the Board Meeting and other Committee Meetings. Period of his directorship is from October 10, 2009 till February 14, 2017.

Company has submitted affidavit with respect to point j, k and l above.

13. In view of Independent auditor's report and documentation and explanations provided by *Gallantt Ispat Limited* during the hearing and in its replies in respect of all the queries, I do not find any prima facie evidence nor suspicion of misrepresentation of financials/business of the company nor misuse of books of accounts / funds of the company nor violation of LODR Regulations.

ORDER

14. SEBI vide letter reference SEBI/HO/ISD/ISD/OW/P/2017/26891 dated November 02, 2017 has delegated powers to stock exchanges to perform direct fact finding exercise and dispose of the representations received by them directly from the company.

In the facts and circumstances of the case, I exercise the powers given by SEBI vide letter reference SEBI/HO/ISD/ISD/OW/P/2017/26891 dated November 02, 2017, hereby, revoke the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by National Stock Exchange of India Limited against *Gallantt Ispat Limited*, its promoters and directors.

15. Accordingly the representation of *Gallantt Ispat Limited* is disposed of.
16. Copy of this order shall be forwarded to the SEBI along with report of Independent Auditor and written / oral submissions of the company.
17. Depositories shall be informed of this order for their action and record.

Sd/-

DATE: 29 December 2017
PLACE: Mumbai

Dr. V R Narasimhan
Chief of Regulatory
National Stock Exchange of India Limited





NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : SURVEILLANCE

Download Ref. No.: NSE/SURV/ 36630

Date: December 29, 2017

Circular Ref. No.:- 208/2017

To All NSE Members

Sub: List of securities moving out of Graded Surveillance Measure (GSM)

This has reference to exchange Circular No. NSE/SURV/35548 dated August 07, 2017, w.r.t. Gallantt Ispatt Limited (SYMBOL: GALLISPAT)

In the facts and circumstances of the case, the exchange hereby revokes the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential action taken by stock exchanges against Gallantt Ispatt Limited, its promoters and directors. The trading in securities of the company shall be reverted to the status as it stood prior to issuance of SEBI letter dated August 07, 2017.

The series and price band for the security with effect from January 01, 2018 shall be as under:

Sr. No	Symbol	Series	Security Name	Price Band
1	GALLISPAT	EQ	Gallantt Ispat Limited	20

In case of any further queries, members are requested to contact the following officials: Mr. Siddhant Gupta (Extn: 22404), Mr. Sareesh Koroth (Extn: 23053), Ms. Vibha Kallianpur (Extn: 25455); Direct No: 022-26598129/8166

For National Stock Exchange of India Limited

Avishkar Naik
Assistant Vice President
Surveillance

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NOTICES

Notice No. 20171229-30 Notice Date 29 Dec 2017

Category Trading Segment Equity

Subject SEBI directions w.r.t. listed Shell Companies – Update on 2 Companies

Content

Sub: SEBI directions w.r.t. listed Shell Companies – Update on 2 Companies.

This is w.r.t. Exchange Notice no. 20170807-31 dated August 07, 2017 w.r.t. the company viz. Gallant Ispat Limited (Scrip Code – 533265) & Gallant Metal Limited (Scrip Code – 532726).

In pursuance of the NSE Circular ref. no.: 208/2017 (Download ref. no.: NSE/SURV/36630) & 209/2017 (Download ref. no.: NSE/SURV/36631) dated December 29, 2017, the Exchange hereby, revokes the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges against the aforementioned 2 companies and its promoters and directors. The trading in securities of these 2 Companies shall be reverted to their status as it stood prior to issuance of SEBI letter dated August 07, 2017, effective from January 01, 2018 as follows:-

Sr. no.	Scrip Code	Scrip Name	Group	Price Band
1.	533265	Gallant Ispat Limited	B	20
2.	532726	Gallant Metal Limited	B	20

All market participants are requested to take note of the above.

For & On behalf of BSE Ltd.

Usha Sharma
Addl. General Manager
Surveillance

Rajesh Gandhi
Asst. General Manager
Surveillance

December 29, 2017

