WTM/PS/68/CFD/OCT/2015

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

ORDER

Under sections 11(1), 11(2)(j), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with section 12A of the Securities Contracts (Regulation) Act, 1956 in the matter of non-compliance with the requirement of minimum public shareholding by listed companies

In respect of International Constructions Limited

---

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") had passed an *interim order* dated June 04, 2013 (hereinafter referred to as **"the interim order"**) with respect to 105 listed companies who did not comply with the Minimum Public Shareholding ("MPS") norms as stipulated under rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as "SCRR") within the due date i.e., June 03, 2013. The interim orderwas passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/or directors or issuing such directions in accordance with law. The *interim order* was to be treated as a show cause notice by those companies for action contemplated in *paragraph 18* thereof.

2. **International Constructions Limited** (hereinafter referred to as "the Company") is one such company against whom the *interim order was* passed. The equity shares of the Company are listed on the National Stock Exchange of India Limited ("**NSE**"), Calcutta Stock Exchange Limited ("**CSE**") and Uttar Pradesh Stock Exchange ("**UPSE**") (now de-recognised).

3. The Company vide letter dated June 14,2013 filed its reply to the *interim order, inter alia* submitting the following :

(a) The shares of the Company are listed on NSE, CSE and UPSE and are not traded. Though the Company follows the listing norms and pays the listing fees regularly, it gets little response from these stock exchanges with respect to its queries.

(b) In case of NSE, the trading of its shares were suspended from 2001. The Company has taken a lot of efforts to lift the suspension but did not get good feedback.

(c) NSE had informed that the Company cannot use the Offer for Sale portal for off-loading promoters' shares for complying with MPS as its trading has been suspended. Though the Company sought advice from NSE as to whether it could undertake off-market sale of promoters' shares to some identified persons from general public, it did not get any response from NSE.

(d) The Company could not take steps through other methods like bonus or rights issue as further shares cannot be issued without in-principle approval of stock exchange and NSE does not provide any approval for a suspended company for further issue of shares.

(e) The Company was not able to achieve MPS to 25% from 13.73% before the due date under SCRR only in view of the above circumstances.

4. Though the interim order provided that the companies/persons covered thereunder could request for a personal hearing, the Company did not make any specific request. The Company did not file any other reply regarding its compliance with the MPS norms. However, in accordance with the principles of natural justice, the Company was afforded an opportunity of personal hearing on July 03, 2015, when the Company was represented by Ms. Shailashri Bhaskar, Company Secretary who made oral submissions. As requested, liberty was granted to file Written Submissions. Thereafter, the Company vide letter dated July 07, 2015 filed its written submissions *inter alia* stating that –

(a) Trading in the Company's shares were suspended in NSE from November 2001.

(b) NSE had pointed out various non-compliances by the Company for the years 2000 and 2001.

(c) The company has complied with all non-compliances as pointed out by NSE and has submitted copies of the same to it. Further, all other compliances under various clauses of the Listing Agreement have also been complied upto the quarter ended March 31, 2015. Listing Fees have also been remitted for the year 2015 thereby indicating that there are no non-compliances as on date.

(d) The Company has been repeatedly following up with NSE for revocation of suspension since the last 5 years.

(e) The promoter holding in the Company is at 86.27% of the total paid-up capital and has identified certain individuals/entities to offload about 14% and has approached NSE with a request to provide OFS mechanism through which shares may be offloaded.

(f) As the (trading in) shares of the Company are suspended, NSE has expressed its inability to provide the facility. Therefore, the Company is unable to offload the shares and therefore not able to meet the MPS norms as stipulated under the SCRR and the Listing Agreement.

(g) The Company assured that once suspension is revoked, it would immediately comply with the requirements and ensure MPS of 25%.

(h) The Company requested SEBI to consider the above facts and pass necessary orders.

5. I have considered the submissions made by the Company and other material available on record.The *interim order* was issued against the Company as it failed to maintain the minimum public shareholding of 25% as mandated under rule 19A of the SCRR and Clause 40A of the Listing Agreement read with section 21 of the Securities Contract (Regulation) Act, 1956 ("SCRA"). It is an admitted fact that the Company continues to be non-compliant with the MPS norms.

6. The Company's submission is that it could not comply with the MPS norms as trading in its shares were suspended by NSE and therefore NSE was not providing the facility for carrying out an OFS. The Company has assured that once suspension is revoked, it would immediately comply with the requirements and ensure MPS of 25%. In this regard, I note that the trading was suspended during the year 2001 and the Company had adequate time of three years (i.e. from June 04, 2010 till June 03, 2013) to comply with the MPS requirements as mandated under the statute. It appears that the Company has not taken steps towards compliance. However, the Company is at liberty to approach NSE.

7. As per the Shareholding Pattern of the Company (*as seen from the website of the NSE*) for the quarter ending June 30, 2015, the promoters' shareholding is at 86.27% and the public shareholding is at 13.73%. Considering the fact that the Company has not complied with the

MPS requirements till date in breach of rule 19A of the SCRR and Clause 40 A of the Listing Agreement read with section 21 of the SCRA, and such non-compliance being continuous in nature, it becomes necessary for SEBI, to confirm the directions issued vide the *interim order* against the Company, its directors and promoters/promoter group. Further, for proper regulation of the securities market and in view of the continuing nature of the violations committed by the Company, SEBI may also initiate other action, as appropriate in law, against the Company, its directors and promoters.

8. Accordingly, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby confirm the directions issued vide the *interim order* dated June 04, 2013 against the company, International Constructions Limited, its directors, promoters and promoter group.

9. This Order shall remain in force till further directions.

10. Copy of this Order shall be served on the stock exchanges and depositories for their information and necessary action.

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: October 15th, 2015
Place: Mumbai