

SECURITIES AND EXCHANGE BOARD OF INDIA

**DIRECTIONS UNDER SECTION 11B READ WITH SECTION 11 OF SEBI ACT,1992
READ WITH REGULATION 65 OF THE SEBI (COLLECTIVE INVESTMENT
SCHEMES) REGULATIONS,1999 IN THE MATTER OF**

M/S. PARASRAMPURIA PLANTATIONS LTD

1. M/s Parasrampur Plantations Ltd, having its Registered Office at Mittal Towers, 'A' Wing, 3rd Floor, Nariman Point, Mumbai – 400 021 (hereinafter referred to as 'PPL') was granted provisional registration under the provisions of SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as the 'said Regulations') vide SEBI's letter dated 24.1.2001 subject to, inter alia, compliance of the provisions of Regulation 71 of the said Regulations such as credit rating of the schemes, appraisal of the schemes, creation of trust, etc. In terms of Regulation 71(2), PPL had vide its letter dated January 31, 2001, given an undertaking to SEBI that it would comply with the requirements of Regulation 71 of the said Regulations.

2. Subsequently, PPL vide letter dated 11.6.2001 submitted a proposal to SEBI to merge its 22 existing schemes into a proposed scheme i.e. PPL-Millennium and to raise money from the investors through the said scheme. SEBI vide letter dated 27.6.2001 advised PPL that neither it can launch any new schemes, nor it can raise money from the investors even under the existing schemes(s) and also directed PPL to comply with the requirements of the said Regulations. However, by another letter dated 28.6.2001, PPL once again communicated its proposal to merge its 22 existing schemes into a proposed scheme i.e. PPL – Millennium. In response to the same, SEBI had written to PPL vide its letter dated 31.7.2001 that its proposal to merge its 22 existing schemes into one single scheme was not possible in view of the relevant provisions of the said Regulations and also advised it to comply with the requirements of the said Regulations. Thereafter, on May 24, 2002, PPL once again sent a letter to SEBI stating that "Our scheme i.e. merger of all schemes shall be rated after appraisal for which SEBI has to give its consent / permission" and "we will get our proposed PPL – Millennium Scheme appraised after hearing from SEBI". SEBI once again vide its letter dated 31.7.2002 advised PPL on the similar lines as communicated in the letter dated 27.6.2001.

3. Subsequent to the grant of provisional registration, SEBI vide various letters advised PPL to submit an interim report on the status of compliance with the said Regulations and also to redress the investor complaints awaiting redressal by PPL. PPL had failed to comply with the requirements of Regulation 71 such as getting its existing schemes rated, appraised, formation of trust etc. within a period of two years from the date of grant of provisional registration. Since PPL failed to comply with the requirements of the said Regulations, before proceeding with the revocation / intimation for winding up its scheme under Regulation 73(2) of the said Regulations, PPL was granted an opportunity of hearing on January 18, 2003. During the course of hearing, the Chairman, PPL contended that they had made a repayment of about Rs.84 crore and have redressed all the pending investor grievances against it. Further, PPL had requested SEBI to grant some more time to submit a report through its Chartered Accountants regarding compliance of the conditions of the said Regulations and redressal of investor grievances. It is also noted during the hearing that PPL had not complied with certain requirements of Regulation 71 of the said Regulations such as appraisal and the credit rating of its existing schemes and formation of a trust. Further, PPL was directed to submit a compliance report by January 23, 2003.

4. Subsequent to the hearing, however, PPL vide letter dated January 22, 2003, requested SEBI to extend the provisional registration granted to it by one more year so as to repay the remaining investors. Since the provisional registration was valid for two years and as

there is no provision in the said Regulations to grant extension of its provisional registration, and as the company had failed to comply with the requirements of Regulation 71 of the said Regulations, in terms of Regulation 73(2), SEBI issued an intimation dated February 19, 2003 to PPL advising it to wind up its existing schemes in accordance with the aforesaid Regulations and to make repayment to its investors. PPL was also directed to send the Information Memorandum (IM) to the investors, who had subscribed to the scheme(s) within two months from the date of receipt of the aforesaid intimation from SEBI in terms of Regulation 73(2). Further, in terms of Regulation 73, PPL was advised to submit "winding up and repayment report" in the SEBI's specified format so that the said report reaches SEBI within 3½ months of the date of Information Memorandum.

5. However, the report submitted by PPL vide letter dated 5.8.2003 was not found to be in conformity with the format specified by SEBI. It was inter alia, noted from the said letter that :

i) it was not in the format specified by SEBI vide its letter dated 19.02.2003.

ii) the said report was not signed by all the directors and not certified by PPL's statutory auditors.

iii) the repayment was not made to all the investors.

Since PPL failed to comply with the requirements of SEBI Act, 1992 and SEBI (Collective Investment Schemes) Regulations, 1999 and violated the specific provisions of Regulation 73 of the SEBI (Collective Investment Schemes) Regulations, 1999 and also in view of the non- redressal of investor complaints (763 complaints - as on August 31, 2003,) by PPL, SEBI vide its order dated 8.10.03 directed PPL to refund the money collected under its Collective Investment Schemes with returns which is due to the investors as per the terms of the offer within a period of one month from the date of the order.

6. Pursuant to this, PPL submitted a letter dated 31.10.2003. PPL vide the said letter, inter alia, contended that SEBI had not considered the post-dated cheques issued by PPL and most of the post-dated cheques have been cleared. PPL also submitted that they had complied with all the regulations except appraisal, rating and transfer of properties to a trust which was to be done on hearing about PPL-M and also submitted that winding up report could not be signed by all the directors inasmuch as one director suffered polio stroke and that another director was out of Bombay. PPL also submitted that it had repaid to the investors who desired for repayment and those who desired to continue being more than 25% of the scheme were continued and report was submitted to SEBI on 5.8.2003 and 5.9.2003. PPL also submitted that cheques cleared till 31st March,2003 are 8842.25 lakhs and 1641.69 being post-dated are regularly cleared.
7. I have carefully examined the submissions of PPL made vide its letter dated 31st October,2003. The contentions of PPL are not convincing inasmuch SEBI on several occasions advised PPL that its proposal to merge its 22 schemes into a single scheme was not possible in view of the provisions of regulation 69 of the said Regulations. As per regulation 69, no existing collective investment scheme shall launch any new scheme or raise money from the investors even under the existing schemes, unless a certificate of registration is granted to the company by SEBI under regulation 10 of the said Regulations. Further, regarding the contention of PPL of having obtained positive consent from more than 25% investors to continue with its scheme and repayment having been made to the investors who had desired to discontinue, the contention of PPL is untenable inasmuch as there has been an increase in the number of pending investor complaints which indicates that the problem of non-repayment has gone up. The contention of PPL that it had redressed investor complaints is also not convincing in view of the pendency of 824 investor complaints against PPL. The increase in number of pending investor complaints against PPL is mentioned in a tabular form as below :-

Particulars	As on August 31,2003	As on September 30,2003	As on October 31,2003	As on November 30,2003
No. of pending investor complaints as per record of SEBI.	763	777	803	824

8. I do not find any merit in the contentions of the PPL in issuing post-dated cheques to the investors, since the same cannot be considered as repayment to the investors in terms of regulation 73(8) of the said Regulations which says that payment shall be made to the investors within three months of the date of the information memorandum. I find that PPL has failed to comply with the Order dated 8.10.2003 passed by SEBI. Therefore, I find that the request of PPL to SEBI to consider the issuance of post-dated cheques as the redressal of investor complaints is untenable. Regarding the contention of PPL of having submitted interim status report regarding compliance of the requirements of Regulation 71, it is noted that PPL did not submit any report regarding compliance with the requirements of Regulation 71 such as getting its existing schemes rated, appraised, formation of trust, etc. I also note that, instead of complying with the requirements, PPL sought one year extension of the provisional registration granted to it for which there is no provision in the said Regulations. I also note that winding up report was not signed by all the directors of PPL as required in terms of the format prescribed by SEBI and the contentions of PPL in this regard are evasive in nature and not convincing.

9. It is evident from the above that the PPL has failed to comply with the directions contained in the order dated October 8, 2003 and also violated the provisions of regulation 73 of the said Regulations. In the face of these irregularities and non-compliance of the orders / directions issued by SEBI, I, in exercise of the powers conferred upon me under Section 11B read with Section 4(3) of the SEBI Act, 1992 and Regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999, hereby debar the company/its promoters/ its directors / its managers / persons in charge of business of its schemes (whose names and addresses are mentioned in Annexure A enclosed herewith) from dealing in the securities market and from accessing the securities market for a period of five years from the date of this order.

10. In case any aggrieved person whose name is mentioned in the enclosed annexure was not aware of the order dated 8.10.2003 and the warning issued vide the said order and was not responsible for the conduct of the business of the company, may apply in writing within 15 (fifteen) days from the date of this order with all supporting documents to SEBI.

This is without prejudice to SEBI's right to take any other action as it may deem fit.

G.N.BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Date :29th December, 03

Place : Mumbai