



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER &
ADJUDICATING OFFICER

Through SPAD

EAD-10/SM/S.12734/1/2022
July 05, 2022

Noticee No.	Name of Noticee and Address	Noticee No.	Name of Noticee and Address
1	Paramount Biotech Industries Limited (PAN – AACCP1163C) F-7 3rd Floor, East of Kailash, New Delhi- 110065	2	Mr. Girish Chandra Gupta (PAN – AIMPG6205H) (Director) 35/A3, Rampur Garden, Bareilly- 243001
3	Ms. Pushpa Gupta (DIN – 02698562) (Director) 40A, Mount Kailash, East of Kailash, New Delhi- 110065	4	Ms. Bhawani Srivastava (PAN – BMHPS8135C) (Director) 559 Ka/1 Bahadurakheda Singar Nagar- I, Lucknow- 226001

Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 in the matter of Paramount Biotech Industries Limited

1. Paramount Biotech Industries Limited ("hereinafter referred to as "the Company/Paramount/Noticee 1") is a public company incorporated on October 29, 1996 and is registered at Registrar of Companies, Delhi ("RoC-Delhi"). The Noticees 2 to 4 are Directors of the Company (Noticees 1 to 4 are hereinafter collectively referred to as "Noticees"). Vide Order dated January 28, 2005 (copy of the Order dated January 28, 2005 is placed as "Annexure - 1" and hereinafter referred to as "Order 1"), passed by Hon'ble Chairman, SEBI under section 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") read with regulation 65 of the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as "CIS Regulations"), directions were issued to Paramount to refund the money

In the matter of Paramount Biotech Industries Limited

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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collected under the schemes of the Company along with returns due to the investors as per the terms of the offer, within a period of one month from the date of the order.

2. The aforesaid Order further restrained the Company from collecting any money from investors as well as from launching any new schemes. However, it was observed that Paramount had failed to comply with the directions contained in the aforesaid Order dated January 28, 2005. Thus, a Final Order dated May 25, 2018 was passed by Hon'ble Whole Time Member ("WTM") (hereinafter referred to as "Final Order" and placed as "Annexure - 2") which, *inter alia*, directed the Company to repay the entire amount collected from the investors and winding up of all the schemes of the Company. However, the Company continued its non-compliance by failing to wind up its schemes and repay the amount collected from the investors.
3. Therefore, vide order dated August 30, 2021, (copy of communique dated September 02, 2021 is placed as "Annexure – 3"), SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I read with Section 19 of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to inquire into and adjudge under Section 15HB of SEBI Act, the alleged non-compliance of SEBI's Final Order dated May 25, 2018, by the Noticees

Alleged non-compliance of SEBI's Final Order dated May 25, 2018 by the Noticees

4. Vide Order 1, the schemes operated by Paramount were held to be Collective Investment Schemes in terms of Section 11AA(2) of SEBI Act which were being carried out without obtaining a certificate of registration under Regulation 3 of CIS Regulations. Thus, vide Order 1, Paramount was directed to, *inter alia*, refund the money collected under its schemes with returns which were due to the investors as per the terms of the offer, within a period of one month from the date of the order. It was further noted in Order 1, that in case of failure of the Company to comply with the

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aforesaid directions, SEBI may initiate actions in accordance with law. The relevant extracts of the aforesaid order are reproduced as follows:

"Therefore, I am of the view that the present schemes have all the features of CIS as defined in Section 11 AA of the SEBI Act, 1992 and Paramount was under an obligation to comply with the provisions of SEBI Act, 1992 and the SEBI (CIS) Regulations, 1999. By non-compliance, Paramount has made itself liable for appropriate action under SEBI Act read with the Regulations.

...

Having considered the facts and circumstances of the case, submissions made by Paramount and non-compliance of the Regulations, I, in exercise of the powers conferred upon me under Section 11B and 11 (4) of the SEBI Act, 1992, r/w Regulation 65 of the said Regulations, hereby direct Paramount neither to collect any money from investors nor to launch any new schemes and further direct Paramount to refund the money collected under the scheme(s) 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 this order..."

5. In terms of the aforesaid order, the Noticees were, *inter alia*, restrained from collecting any money from investors and launching any new schemes. Noticees were also directed to refund the money collected under the existing scheme(s) with returns which were due to the investors as per the terms of the said scheme(s) within a period of one month from the date of aforesaid order. Subsequently, Paramount filed an Appeal before the Hon'ble Securities Appellate Tribunal ('**Hon'ble SAT**'), and an order dated February 23, 2006 was passed by the Hon'ble SAT, dismissing the aforesaid appeal and recording, *inter alia*, that Paramount had undertaken to repay what they claimed was the outstanding amount of Rs. 4 lakh to the investors with 10% interest and also to issue a public notice to that effect in a newspaper with wide circulation for the benefit of the concerned investors.
6. Vide letter dated March 23, 2006, SEBI advised the Company to, *inter alia*, comply with Order 1 and file a Winding Up and Repayment Report (WRR) in that respect.

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Subsequently, SEBI appointed M/s. N.D. Kapur & Co. ('Independent Auditor') as an independent auditor on February 18, 2013 to verify the claims made in the WRR. In the meanwhile, Paramount filed a Review Petition bearing no. 1/74/2005 in respect of the order passed by the Hon'ble SAT on February 23, 2006 wherein the Company sought modification of the said order to the extent that the Company be allowed to deposit the amount of Rs. 4 lakh with SEBI such that the same may be disbursed by SEBI to the investors, as and when they become available. Hon'ble SAT vide order dated April 28, 2006 dismissed the said review petition and directed the Company to deposit the amount in a nationalized Bank within one month. Paramount was also directed to furnish a six- monthly audit statement prepared by their auditors to SEBI for as long as the amount remained deposited with the Bank.

7. It was observed that the Company failed to comply with the directions of Order 1, pursuant to which proceedings under section 11(4)(b) read with section 11B of the SEBI Act, and regulation 65 of the CIS Regulations were initiated against the Noticees.
8. The Independent Auditor submitted the Audit Report dated May 14, 2014 ("**Annexure - 4**") to SEBI observing, *inter alia*, as follows:
 - a) *Paramount has not provided sufficient information to establish repayments to identified investors/folios to the extent of Rs. 26.94 lakh (with respect to the Collective Hybrid Hi-Tech Agro Plantation schemes) and to the extent of Rs. 6.87 lakh (with respect to the Paramount Orchards & Farms scheme).*
 - b) *Paramount has made excess payments of Rs. 12.465 lakh to 129 investors and short payments to 1169 investors of Collective Hybrid Hi-Tech Agro Plantation Schemes. I note from the auditor report that, for the Paramount Orchards & Farms Scheme, the Company has failed to provide the detailed calculation of the promised returns. In view of the convenience of investors, I am of the view that if the Company is unable to provide the terms of calculation of the promised*

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returns with respect to the Paramount Orchards & Farms scheme, the Company may calculate the promised return at the rate of 15 per cent per annum from the date of investment.

- c) Paramount has failed to provide the terms/policies for premature withdrawals and that it had reported only two cases of premature withdrawals, but failed to provide supporting documents. Further, I find from the auditor's submissions that although the Company had claimed a refund of Rs. 25,000 with respect to Shudha Aggarwal and a refund of Rs. 9800 with respect to Ajit Tiwari, the auditor could verify repayment of only Rs. 22,000 to Shudha and payment to Ajit could not be verified.*
- d) In short, out of total repayment of Rs. 293.271 lakh made by Paramount, an amount of Rs. 26.94 lakh remain unidentified with respect to investors/folios, for the Collective Hybrid Hi-tech Agro Plantation scheme. Similarly for the Paramount Orchards and Farms Scheme, out of total repayment of Rs. 14.34 lakh, an amount of Rs. 6.87 lakh is unidentifiable.*
- e) For Paramount Orchards & Farms scheme, the Company failed to provide the detailed calculation of promised returns. In view of this, keeping in mind the convenience of the investors, if the Company is not able to provide the same, the Company may calculate the promised return at the rate of 15 per cent per annum from the date of investment.*
- f) Excess and short payments have been made to 129 and 1169 investors, respectively.*
- g) Unverifiable refunds have been claimed for premature withdrawals of investments to the extent of Rs. 12,800 (Rs. 3000 for Shudha Aggarwal and Rs. 9800 for Ajit Tiwari)*

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9. In view of the Audit Report submitted by the Independent Auditor, SEBI held as follows in its Final Order dated May 25, 2018 passed by the Hon'ble WTM:

"45. Therefore, I find that the Company had failed to conclude the process of repayment even after the SEBI Order dated January 28, 2005, and therefore, I find that the collective investment schemes of the Company cannot be stated to have been wound up. In view of the same, I find that the Company has failed to comply with the directions issued by the Chairman, SEBI vide order dated January 28, 2005.

...

47. In this regard, I note that the present cause of action is the non-compliance with the Order of SEBI passed on January 28, 2005, wherein the Company was directed to wind up the collective investment schemes and to refund all the investors along with the promised returns. On perusal of the Orders of Hon'ble SAT dated February 23, 2006 and April 28, 2006, I note that there was no finding on the genuineness of all the claimed payments by the Company and the said Orders merely recorded the statement of the Counsel for the Company, inter alia, that an amount of Rs. 4 lakh was outstanding for repayment and the said amount was directed to be kept in a nationalized bank account, with periodic audit reports being submitted to SEBI in this regard. The present proceedings for non-compliance of directions is arising out of, inter alia, irregularities in payments to investors. Therefore, I am of the opinion that compliance with the aforesaid directions of the Hon'ble SAT, as has been submitted by the Company, in no way absolves the legal duty of the Company to comply with the directions passed by SEBI vide its order dated January 28, 2005.

...

54. From the aforesaid, I find that appropriate directions are required to be passed against Paramount and its directors, viz. Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, Ms. Bhawani Srivastava and Major General Baldev Raj Varma for the violations of CIS Regulations during the relevant period of time as brought out in the SEBI Order dated January 28, 2005. Further, for the non-compliance with the SEBI Order dated January 28, 2005 by Paramount and its directors, viz. Mr. Girish

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Chandra Gupta, Ms. Pushpa Gupta and Ms. Bhawani Srivastava, I find it appropriate that adjudication proceedings may be initiated.

56. In view of the aforesaid observations and findings, I, in exercise of the powers conferred under section 19 of the SEBI Act, read with sections 11 and 11B of the SEBI Act read with reg. 65 of CIS Regulations, hereby issue the following directions:

- a. Paramount Biotech Industries Limited is directed to repay the balance amount to the investors as mentioned in sub clause (v) of this direction and provide a peer reviewed Chartered Accountant certificate containing the following details and incorporating clarifications for the discrepancies brought out in the Audit Report submitted by N.D. Kapur & Co. dated May 14, 2014.*
 - i. The amount of money collected scheme wise.*
 - ii. The details of promised return.*
 - iii. Calculation of total amount to be paid scheme wise adding the promised return or 15% interest from the date of investment in case scheme details are not available*
 - iv. The amounts accepted as verified to have been paid, by the Auditor, N.D. Kapur & Co.*
 - v. The remaining amount to be paid and*
 - vi. Verification of payment of the remaining amounts to be paid to the respective investors.*

The said repayment details must be supported by documentary evidence verified by another independent peer reviewed Chartered Accountants who is in the panel of any public authority or public institution. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ("ICAI") holding such certificate. The Company is directed to provide the aforesaid within 120 days from the date of receipt of this Order. However, in order to meet the requirements in Paragraph 56(c), the Company is directed to calculate the amount at Paragraph 56(a)(v) within 90 days.

- c. Paramount Biotech Industries Limited is directed to deposit the amount as mentioned in Paragraph 56(a)(v) in an Escrow Account opened with a nationalized Bank within 100 days from the date of receipt of this Order.*

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Paramount Biotech Industries Limited is prevented from selling its properties except for the sole purpose of putting the money in the Escrow Account and refunds are to be made to the respective investors from the said Escrow Account.

- d. *Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, and Ms. Bhawani Srivastava are directed to ensure that the directions under Paragraphs 56(a), 56(b) and 56(c) of this Order, are complied with by the Company within the timelines specified, failing which SEBI may initiate adjudication proceedings against Paramount Biotech Industries Limited and Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, and Ms. Bhawani Srivastava."*

10. In the aforesaid Final Order, SEBI reiterated the findings of Order 1 and concluded that the Noticees had not complied with Order 1, as they had failed to provide complete information during the audit, pertaining to scheme-wise funds available with the Company and the amount of repayment due to the investors, and had failed to repay the entire money due to the Company's investors under its schemes. In view of the aforesaid non-compliance with Order 1, SEBI vide its Final Order, *inter alia* directed the Noticees to deposit the requisite amount for repayment to the investors of Paramount within a period of 100 days from receipt of the Final Order. The Noticees were also directed to submit repayment details supported by documentary evidence verified by an independent peer reviewed Chartered Accountant, in the panel of any public authority or public institution, within a period of 120 days from receipt of the aforesaid Order dated May 25, 2018.
11. It was observed that Order 1, dated January 28, 2005, passed by Hon'ble Chairman and Final Order dated May 25, 2018 passed by Hon'ble WTM were duly served upon the Noticees. As stated in Final Order, Noticees failed to comply with the directions contained in Order 1. As per records, the Noticees also failed to comply with directions contained in the Final Order, despite expiry of stipulated 120 days. It was observed that Noticees acknowledged the receipt of Final Order, vide their letter dated August 02, 2018, in which they also stated that they have not repaid the entire amount of money due for repayment to all the investors ("Annexure – 5"). In view of the non-compliance of Final Order by the Noticees, Notices of Attachment

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in terms of Recovery Certificate dated January 13, 2021 were issued against the Company ("Annexure – 6"). Therefore, it is alleged that Noticees had failed to comply with the Final Order dated May 25, 2018 passed against them by Hon'ble WTM.

12. In view of the above, it is alleged that the Noticees' non-compliance of the Final Order dated May 25, 2018 passed by the Hon'ble WTM, if established, makes Noticees liable for monetary penalty under the provisions of 15HB of SEBI Act. The relevant text of Section 15HB of SEBI Act is reproduced as under:

Relevant provisions of SEBI Act:

"Penalty for contravention where no separate penalty has been provided.

Section 15HB of SEBI Act–

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

13. Noticees are, therefore, called upon to show cause as to why an inquiry should not be held against them in terms of Rule 4 of Adjudication Rules read with Section 15I(1) & (2) of SEBI Act, and penalty, if any, be not imposed on them under Section 15HB of SEBI Act, for the aforesaid alleged contraventions by them.
14. Noticees shall submit the reply to the Show Cause Notice supported by such documentary evidence, which they may like to adduce in support of the reply within fifteen (15) days from the date of receipt of this notice by them, failing which the matter shall be proceeded on the basis of the material/ facts available on record. Further, a soft copy of the reply may also be sent via email at somam@sebi.gov.in and somashish@sebi.gov.in. In case no reply is received from Noticees within the prescribed time mentioned above, it would be presumed that they have no

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submissions to make and the matter shall be proceeded with on the basis of material / facts on record. A copy of incorporation documents, contact details (contact person, phone number, email details, fax etc.) of Noticees may also be submitted along with the reply.

15. Noticees may also indicate in their reply if they desire a personal hearing in the matter. Noticees are advised to keep the undersigned informed about the change in their correspondence address, if any, and provide updated email-id and phone numbers, till the proceedings are complete.

16. Noticees may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If they wish to avail the benefit of the settlement process, they may apply for the same in the manner provided in the said regulations, under intimation to the undersigned.

SOMA MAJUMDER
Adjudicating Officer

Enclosed in CD:-

Annexure-1	SEBI's Order dated January 28, 2005 passed by Hon'ble Chairman
Annexure-2	SEBI's Final Order dated May 25, 2018 by the Hon'ble Whole Time Member
Annexure-3	Copy of Communique dated September 02, 2021
Annexure-4	Audit Report submitted by the Independent Auditor
Annexure-5	Noticees' Letter dated August 02, 2018
Annexure-6	Notices of Attachment in terms of Recovery Certificate dated January 13, 2021