



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SPEED POST WITH ACK DUE

DEPUTY GENERAL MANAGER
NORTHERN REGIONAL OFFICE

SEBI/NRO/NRO/NRO/OW/P/2023/ 22478/1, 2

June 02, 2023

1. Rhine and Raavi Credits & Holdings Ltd (Noticee no. 1)

179 E, Khirki Village, Ground Floor Malviya Nagar
New Delhi South Delhi 110017

2. Mr. Birendra Kaji (Noticee no. 2)

Bairiya Khurd, PS Laukariya, Po-Harnatand,
West Champaran 845438 Bihar

विषय/Sub- राइन और रावी क्रेडिट्स एंड होल्डिंग्स लिमिटेड के मामले में भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 की धारा 11(1), 11(4) और 11बी के तहत कारण बताओ नोटिस/ Show Cause Notice under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Rhine and Raavi Credits & Holdings Ltd

- SEBI pursuant to a preliminary enquiry on the basis of Complaints received from Reserve Bank of India ((hereinafter referred to as 'RBI') into non-compliances with the public issue norms stipulated under the provisions of the Companies Act, 1956 including Sections 56, 60, 69 and 73 thereof by the company, Rhine and Raavi Credits and Holdings Limited (hereinafter referred to as 'the Company, RRCHL) in respect of its issue of the Secured Nonconvertible Debentures (hereinafter referred to as 'NCD'), issued an ex-parte interim order dated October 01, 2013 (hereinafter referred to as 'the interim order') against the Company and its promoters and directors including Mr. Gurpreetesh Singh Maini, Mr. Tridivesh Singh Maini, Ms. Jyoti Maini, Mr. Jivtesh Singh Maini, Mr. Rakesh Gupta, Mr. Birendra Kaji and Mr. Surendra Kumar (hereinafter collectively referred to as 'Noticees'), directing them not to collect any money from the investors. (Copy of the interim order is placed at F/A).

SCN in the matter of Rhine and Raavi Credits & Holdings Ltd

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उत्तरी प्रादेशिक कार्यालय : प्लेट-बी, आठवीं मंज़िल, ऑफिस टॉवर-1, एन बी सी सी कॉम्प्लेक्स, पूर्व किदवई नगर, नई दिल्ली - 110023

Northern Regional Office : Plate-B, 8th Floor, Office Tower-1, NBCC Complex, East Kidwai Nagar, New Delhi-110023 दूरभाष (Phone) : 011 - 69012998

प्रधान कार्यालय : सेबी भवन, प्लॉट सं. सी-4 'अ', जी-ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व) मुंबई - 400051 दूरभाष (Phone) : 022 - 26449000
Head Office : SEBI Bhavan, Plot No. C-4A, G-Block, Bandra Kurla Complex, Bandra (E) Mumbai - 400051 Web. : www.sebi.gov.in



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2. The interim order dated October 01, 2013 was passed by SEBI and its promoters/directors against the Company to ensure that they do not collect further funds the assets or property acquired through the funds mobilised from the investors. The directions as mentioned in said Order came into force with immediate effect. By said order, RRCHL was aslo directed not to dispose of the propeies/assets which have been owned or acquired without prior permission of SEBI.
3. The interim order advised the noticees to treat the same as a show cause notice to explain why appropriate action under the SEBI Act, 1992 (hereinafter referred to as 'SEBI Act') should not be taken/ issued against them for the alleged non-compliance with the provisions of the Companies Act, 1956 including Sections 56, 60, 69, 73 thereof. The interim order afforded opportunity to the noticees to file their reply in the matter and also for a personal hearing, if they so desired.

Observations and Findings

4. SEBI conducted an analysis of the allegations against the Company on the basis of Complaints received from RBI. A perusal of the complaints and the documents enclosed revealed that the Company had issued NCDs of 2,264 each to investors, to be redeemed with cumulative interest of 12.43% per annum on the maturity date. The Company was registered with Reserve Bank of India as a Non-deposit taking Non-Banking Financial Company (hereinafter referred to as 'NBFC'). However, as per website of RBI, the registration of the Company as NBFC is appearing as 'cancelled'.
5. Thereafter, relevant documents were sought from the Company and the Registrar of Companies ((hereinafter referred to as 'RoC'). The Company submitted a certified copy of the Board Resolution dated September 04, 2012, Form 10 filed with the RoC, copy of the 'certificate of registration of mortgage, etc. under Section 132 of the Companies Act, 1956', the list of allottees of debentures and the balance sheets for the financial years 2010-2011 and 2011-2012. The ROC had forwarded the Memorandum of Association (hereinafter



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referred to as 'MoA'), Articles of Association (hereinafter referred to as 'AoA'), copies of Form-23AC, Form - 2 and Form 20B filed by the Company.

6. From the list of the allottees of debentures submitted by the Company, it was revealed that it had issued NCDs to 744 allottees and mobilised approximately 6.27 crores. However, from the minutes of the Board Resolution dated September 04, 2012, it was observed that the Company had passed a resolution for issuing 1, 60,356 NCDs at Rs 2,264 each. A simple calculation of the same shows that an amount of 36.30 crores was raised by the Company. From the same, it was observed that the Company had not disclosed the details of all the allottees to whom the NCDs were issued. The details in Form 10 (particulars for registration of charges for debentures) filed by the Company with RoC also confirms that about 36.30 crores have been mobilized through the issuance of the NCDs to the investors. It was observed that the Company did not comply with the laws applicable to the public issues, while raising money through the issuance of NCDs.
7. From the brochure of the company available on record following was noted-
- a) RRCHL has issued pre-printed debenture application form in its website in order to facilitate the prospective investors to download the application and apply for debentures.
 - b) From the said application, it was clear that the application was for 12.43% Redeemable Secured Non Convertible Debentures of Rs 2264/- each.
 - c) RRCHL has also floated schemes with regard to the issuance of non-convertible debentures with two maturity periods:
 - i. One, with the maturity period of 4 years, offering 50% return
 - ii. Two, with the maturity period of 5 years 11 months, offering 100% return.
 - iii. An illustrative diagram reflecting package details (given in the brochure of company) of the schemes with regard to the issuance of non-convertible debentures with two maturity periods is given below:

S. No	Package	Package Amount	Units	Maturity in 4 years	Maturity in 5 years 11 months
1.	R & R 1 Debenture	2264	2	3396	4528
2.	R & R 2 Debenture	4528	4	6792	9056



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3.	R & R 3 Debenture	6792	6	10188	13584
4.	R & R 4 Debenture	9056	8	13584	18112
5.	R & R 5 Debenture	11320	10	16980	22640
6.	R & R 6 Debenture	13584	12	20376	27168
7.	R & R 7 Debenture	15848	14	23772	31696

8. It was also observed from the list of allottees submitted by the company that RRCHL has issued non-convertible debentures to 744 allottees. However, copy of the board resolution dated 04.09.2012, submitted by the company shows that company has issued 1,60,356 non-convertible debentures to the investors of Rs. 2,264 each. Therefore, total amount of money which RRCHL generated from the market by issuance of non-convertible debentures comes out to be approx. 36.3 crores. Also, RRCHL has not provided any detail to SEBI regarding list of allottees of 1, 60,356 non-convertible debentures and money raised out of such issuance of debentures.
9. The Company had also not submitted any material/ information indicating that the offer of NCD to 744 or more allottees from which it raised 36.30 crores in September 2012 was intended to be a private placement meant only for a specific or selected group of persons. In view of the same, the issuance of the NCDs by the Company was held to be a public offer made to fifty or more persons within the meaning of the term 'offer' made to the public under the first proviso to sub-section (3) of Section 67 of the Companies Act, 1956.
10. The Company had not submitted copies of the prospectus, invitation letter or offer document through which it sought subscription from the investors, despite such information having been sought by SEBI repeatedly. The Company was mandated under Section 73 of the Companies Act, 1956 to apply for permission for listing such securities on stock exchanges. The Company failed to do so, in contravention of Section 73 of the Companies Act, 1956. The Company was also alleged to have contravened the applicable provisions of the Companies Act, 1956, including, Sections 56, 60, 69 thereof.
11. A final order dated March 27, 2015 was passed by SEBI against the company and its directors Mr. Rakesh Gupta, Mr. Birendra Kaji and Mr. Surendra Kumar for illegal mobilization of funds from public through the issuance of Secured Non-Convertible Debentures (NCDs) (which



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have been found to be issued in contravention of the public issue norms stipulated under the Companies Act, 1956). (Copy of the order is placed at **F/B**).

12. WTM vide Order dated 27.03.2015 *inter-alia* directed the following:

- **Para 26** - "SEBI may initiate separate proceedings against Mr. Birendra Kaji for the contravention of SEBI (Debenture Trustees) Regulations, 1993 and Section 117B and 117C of the Companies Act, 1956".

13. Based on above directions, the matter was re-examined once again by SEBI. Vide letter dated 07.10.2019 (**F/B**), RRCHL and its directors namely; Mr. Rakesh Gupta, Mr. Birendra Kaji and Mr. Surendra Kumar were advised to furnish the details/ information with regard to-

- a. The issuance of NCDs by the company in the month of July 2012 and August 2012
- b. The appointment of Birendra Kaji as a Debenture Trustee of Debenture Holders/Charge holders. The said letters have returned undelivered.

14. Role of Birendra Kaji as a Debenture Trustee

As noted from Form-10 (*particulars of registration of charges for debentures*) (**F/C**) filed by RRCHL on MCA portal with respect to the 'Creation of Charge' (for the debentures issued on 04.0.2012), it is mentioned that the Trustee of Debenture holders/ charge holders was Mr. Birendra Kaji. On perusal of the debenture trust deed dated July 24, 2012 (Copy enclosed at **F/D**) enclosed with Form 10, it is observed that the said deed has been signed by Rakesh Gupta (on behalf of RRCHL in the capacity as Director) and by Birendra Kaji on behalf of 'Rhine and Raavi Debenture Trust in the capacity as Trustee. Hence, Mr. Birendra Kaji was appointed as a Debenture Trustee of RRCHL for the NCDs issued by RRCHL.

Alleged Violations:

It is noted that Mr. Birendra Kaji is not registered with SEBI as a Debenture Trustee. Hence, by acting as unregistered Debenture Trustee in Individual Capacity, Mr. Birender Kaji alleged to have violated Section 12(1) of the SEBI Act, 1992 read with Regulation 7 of SEBI (Debenture Trustee) Regulations, 1993 and same are reproduced below -

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Section 12(1) of the SEBI Act inter-alia states that-

No-----trustee of trust deed.....shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.

Regulation 7 of SEBI (Debenture Trustee) Regulations, 1993 inter-alia states that-

No person should act as a debenture trustee unless he is either

- a. A scheduled bank carrying on commercial activity; or*
- b. A public financial institution within the meaning of Section 4A of the Companies Act, 1956; or*
- c. An insurance company; or*
- d. body corporate*

15. Role of RRCHL

Further, SEBI vide order dated 27.03.2015 has already established that the NCDs issued by RRCHL were in the nature of public issue; and that RRCHL has not complied with various provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (hereinafter referred to as "**SEBI ILDS Regulations**").

16. Additinally, associate person, cannot not become the trustee of 'Rhine and Raavi Debenture Trust'. Therefore, RRCHL have allegedly not complied with Regulation 4(4) of SEBI ILDS Regulations, Sec 117B of Companies Act, 1956 and Regulation 13A (a) of SEBI (Debenture Trustee) Regulations, 1993. These violations alleged to have violated by RRCHL are reproduced below-

Alleged Violations:

Regulation 4 (4) of SEBI ILDS Regulations inter-alia states that

"The issuer shall appoint one or more debenture trustees in accordance with the provisions of Section 117B of the Companies Act, 1956 (1 of 1956) and Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993."



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Section 117B of the Companies Act, 1956 inter-alia states that-

[117B. Appointment of Debenture Trustees And Duties Of Debenture Trustees]

(1) No company shall issue a prospectus or a letter of offer to the public for subscription of its debentures, unless the company has, before such issue, appointed one or more debenture trustees for such debentures and the company has, on the face of the prospectus or the letter of offer, stated that the debenture trustee or trustees have given their consent to the company to be so appointed:

Provided that no person shall be appointed as a debenture trustee, if he-

- (a) beneficially holds shares in the company;
- (b) is beneficially entitled to moneys which are to be paid by the company to the debenture trustee;
- (c) has entered into any guarantee in respect of principal debts secured by the debentures or interest thereon.

Further, **Regulation 13A (a) of SEBI (Debenture Trustee) Regulations, 1993** inter-alia states that-

Debenture Trustee not to act for an associate.

13A. [No debenture trustee shall act as such for any issue of debentures in case—

- (a) it is an associate of the body corporate, or

17. Creation of Debenture Redemption Reserve

There is no record available in MCA portal to show that RRCHL had created Debenture Redemption Reserve. Hence by not creating Debenture Redemption Reserve, RRCHL have allegedly violated Regulation 16 of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 read with Section 117C of the Companies Act, 1956 and same are reproduced below-

Regulation 16 of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 inter-alia states that-

“(1) For the redemption of the debt securities issued by a company, the issuer shall create debenture redemption reserve in accordance with the provisions of the Companies Act, 1956 and circulars issued by Central Government in this regard.”

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Further, Section 117C of the Companies Act, 1956 inter-alia states that-

[117C. Liability of Company to Create Security and Debenture Redemption Reserve

(1) Where a company issues debentures after the commencement of this Act, it shall create a debenture redemption reserve for the redemption of such debentures, to which adequate amounts shall be credited, from out of its profits every year until such debentures are redeemed.

(2) The amounts credited to the debenture redemption reserve shall not be utilised by the company except for the purpose aforesaid.

(3) The company referred to in sub-section (1) shall pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

(4) Where a company fails to redeem the debentures on the date of maturity, the 2 [Tribunal] may, on the application of any or all the holders of debentures shall, after hearing the parties concerned, direct, by order, the company to redeem the debentures forthwith by the payment of principal and interest due thereon.

(5) If default is made in complying with the order of the 2 [Tribunal] under sub-section (4), every officer of the company who is in default, shall be punishable with imprisonment which may extend to three years and shall also be liable to a fine of not less than five hundred rupees for every day during which such default continues.]

18. This show cause notice is issued without prejudice to the rights of SEBI to issue a supplementary notice and to initiate any other proceedings/actions of the aforesaid violations in terms of the SEBI Act and rules or regulations made thereunder.

19. The reply of the Noticees, if any, should reach the undersigned, at the address given below, as well as through email at virsaahabs@sebi.gov.in and deepshikhaL@sebi.gov.in (in MS-Word format), within 21 days from the date of receipt of this notice, failing which it shall be construed that the Noticees have no reply to submit and the matter shall be proceeded on the basis of the material available on record.



Continuation Sheet

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20. If you are desirous of a personal hearing before the Whole Time Member, SEBI, the same may be intimated accordingly.
21. You are advised to keep SEBI informed about the change in your correspondence address, if any, and provide updated email-id and phone numbers, till the proceedings are complete.
22. You are also advised to submit a photocopy of your Income Tax Permanent Account Number card (PAN Card) for our records.
23. Documents relied upon in the notice have been annexed as per the list of enclosures.
24. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.


Vir Sahab Singh

Enclosures

- Flag A- Copy of Interim order dated October 01, 2013
- Flag B- Copy of Final order dated March 27, 2015
- Flag C- Copy of Form 10
- Flag D- Copy of debenture trust deed dated July 24, 2012