

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

**ORDER**

**Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 65 of the Securities and Exchange Board of India (Collective Investment Scheme) Regulations, 1999**

**IN THE MATTER OF HBN DAIRIES & ALLIED LIMITED**

**In respect of HBN Dairies & Allied Limited and its Directors, viz., Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon, Ms. Sukhjeet Kaur**

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1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') received a reference from Reserve Bank of India forwarding therewith a complaint against one HBN Dairies & Allied Limited (hereinafter referred to as 'HBN' or 'the Company') (a company with its registered office at IIIrd Floor, Vardhman Chamber, Sonia Complex, Vikas Puri, New Delhi - 110 018). The complaint alleged that HBN is illegally mobilizing funds from the public. SEBI advised HBN vide its letter dated February 09, 2009, to submit the information/ documents including applications forms, brochures, sample agreements, balance sheets, profit and loss accounts, details of the past and present directors, details of the funds mobilized under various schemes in order to ascertain whether it was carrying on the activities of a 'Collective Investment Scheme' (hereinafter referred to as 'CIS').
  2. HBN instead of replying to the SEBI letter, filed an application for registration as CIS on June 30, 2010. With the application, HBN also submitted the copies of certificate of incorporation, notice to its shareholders, minutes of the Extra-ordinary General Meeting, Trust Deed and 'Rule Book'. SEBI vide its letter dated July 23, 2010, sought certain documents/ details from HBN, as the information submitted was incomplete. HBN failed to provide such information/ details within the time specified. SEBI vide its letters dated September 22, 2010 and December 02, 2010, also sent reminders to HBN. Later, HBN vide its letter dated December 23, 2010, withdrew its application for registration, while submitting that it does not wish to initiate the activities covered under the CIS.

3. Thereafter, SEBI again vide its letter dated February 01, 2011, advised HBN to submit the information/ documents sought earlier vide letter dated February 09, 2009. SEBI vide its letters dated March 11, 2011, April 20, 2011 and December 07, 2011, issued reminders to HBN for submitting the information/ documents. Meanwhile, SEBI also sought information from the Registrar of Companies (hereinafter referred to as 'RoC'), Delhi vide letter dated December 07, 2011, in order to ascertain whether HBN has filed annual accounts for the financial years 2009-10 and 2010-11.

HBN vide its letter dated December 20, 2011, requested for time for furnishing the information/ documents, as asked by SEBI. Vide another letter dated January 05, 2012, HBN submitted the copies of its audited balance sheets for the years 2009 - 2010 and 2010 - 2011 and Memorandum and Articles of Association.

4. SEBI vide its letter dated March 07, 2012, again advised HBN to provide the brochure pertaining to the schemes/ plans, scheme wise mobilization of funds, details of past and present addresses of directors along with contact details, copy of schedule, general terms and conditions and 'rule book'. HBN vide its letter dated March 21, 2012 submitted that it does not have any brochures/ application forms for any schemes and the annual returns have already been filed with RoC, containing the names and addresses of past and present directors.
5. On completion of the examination, SEBI issued a show cause notice dated November 16, 2012 (hereinafter referred to as 'SCN') to HBN and its directors namely Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur (hereinafter collectively referred to as 'the noticees') under Section 11 and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'the SEBI Act') read with Regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as 'CIS Regulations'). The SCN alleged that the scheme/ arrangement run by HBN are in the nature of CIS as defined in Section 11AA of the SEBI Act without obtaining a certificate of registration from SEBI for operating CIS as required under Section 12(1B) of the SEBI Act read with Regulation 3 of the CIS Regulations. HBN was advised to reply to the SCN, within a period of twenty one (21) days from the date of receipt thereof. It was also informed that in case of failure to

reply, it would be presumed that HBN had no explanation to offer and that SEBI shall proceed in the matter on the basis of the material available on record.

6. No reply was received from the noticees. However, before proceeding further in the matter, an opportunity of personal hearing was granted to all the noticees on July 11, 2013. In the meantime, the noticees namely HBN, Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur vide letter dated July 09, 2013, submitted a common reply, which was taken on record. The submissions made by HBN, in brief are as under:
  - a. The present management of HBN consists of Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur. Other noticees i.e. Mr. Satnam Singh Randhawa, Mr. Gajraj Singh Chauhan, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur have ceased to be the directors of HBN and their names may be dropped from the present proceedings.
  - b. The schemes/ plans of HBN are not in the nature of CIS. The money is provided by the customers of HBN to facilitate its business. The said amounts are not solely utilized for the purpose of purchase and rearing of cattle and maintenance of dairy farms but a part of this amount is also used for investment in acquisition of fixed assets and investment of properties through its subsidiary/ associate companies. The properties so purchased commands a good market value and also enhances the security cover of the customers, in case of exigency.
  - c. The agreement entered into with the customer is not with the intention of sharing profits or income of the Company. There exists no share in produce or property of the Company as the same remains with HBN only.
  - d. The customer entering into an agreement with HBN is entitled to assured returns on the payments made. The customer has an option to buy live stock from the Company and they are under no obligation to purchase the same. The customer can even withdraw the amount paid under the assured return plans before the maturity and a nominal amount is deducted from the installments already paid by them under the particular assured return plans. Due payment has been made on maturity to the customer as per the plan chosen by him.
  - e. The cost of the cattle as shown in the 'rule book' is the expected cost of the developed cattle and it is not incumbent upon the customer to purchase the same.
  - f. The Company is not managing the property or produce as the customer is at no point of time is making payments towards any property or produce. The so called property

always remains with the Company and the customer has option to buy, in case, if so desired by him.

- g.** The payments are made by the customers towards fixed assured plans in installments with various risk covering factors. Therefore, the condition of day to day participation of the customer does not arise. Also, the customer can withdraw from the plans at any point of time as per the rules laid down for the said purpose.
  - h.** Till date HBN has not defaulted in any of its commitments.
- 7.** In addition to the above submissions, HBN also submitted that it wants to file a repayment proposal and for the same it sought reasonable time. On the date fixed for personal hearing, i.e. July 11, 2013, Ms. Anju Jain, Advocate; Mr. Hitesh Sachar, Advocate; Mr. Punkaj Jain, FCA; Mr. Sunil Arora, FCA and Ms. Shreya Bhandari, Practising Company Secretary appeared for HBN, Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur and made oral submissions. During the course of personal hearing the authorised representatives submitted that the money is taken as trade deposits and assured returns were given for its schemes. It was also admitted that HBN has deposits of around ₹ 1,100 crore, collected from the public. The representatives also expressed the intentions of HBN and its directors, in repaying the amount so collected, back to the public.
- 8.** The submissions made were duly considered by SEBI and an *interim* order dated July 12, 2013 (hereinafter referred to as '*interim* order') was issued with the following directions:
- "a.** HBN and its directors Mr. Harmender Singh Sran, Mr. Satnam Singh Randhawa, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauban, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur, shall not solicit or collect any further money/ investments from investors/ customers into its schemes or launch or carry out any money collection schemes.
  - b.** HBN and its aforesaid directors shall submit to SEBI, a reasonable proposal including firm time lines with regard to the manner in which it proposes to wind up its schemes and make payments along with the returns which are due to its investors. This proposal shall be submitted within a period of 30 days from the date of this Order.
  - c.** HBN and its aforesaid directors shall not dispose of any of the properties including the properties mentioned ..., except for the purpose of winding up of its schemes and repaying the money to its investors/ customers with returns that have been promised to them, ... .."

It was also said that the order is without prejudice to any action that might be taken by SEBI in respect of the schemes operated by HBN including the action contemplated under the show cause notice dated November 16, 2012.

- 9.** Pursuant to the passing of the directions vide the *interim* order, HBN, vide its letter dated August 08, 2013, forwarded a repayment proposal/ schedule to SEBI along with

a list of its properties. It also proposed to repay the amount of ₹ 1,136.78 crores in a phased manner in consonance with the realization of its assets. The said proposal/schedule was examined by SEBI and a detailed procedure for making repayments was forwarded to HBN, vide letter dated January 06, 2014, for necessary compliance. Thereafter, HBN initiated steps to comply with the repayment procedure (detailed discussion in this regard is at **para 17** below).

10. However, in the meantime, the repayment procedure was reviewed by SEBI and it was *prima facie* found that the repayments were not being made from the escrow account opened for the purposes of repayment and through the RTA appointed for the said purpose. The object of SEBI, while issuing the *interim* order dated July 12, 2013, as stated earlier was facilitating quicker re-imburement to the investors of HBN. The review revealed that the said objective has remained unfulfilled as majority of the investors of HBN were still unpaid and majority of those who have been claimed (by HBN) to be paid have filed various investor complaints. It was also noted that the payments to the investors were being made from the bank accounts other than the escrow account (which was opened for the purposes of repayment to the investors) and without the involvement of RTA, i.e. in complete disregard to the repayment procedure.
11. At this stage, SEBI felt it imminent to revive the SCN and call upon HBN and its directors to explain the deviation from the approved process. Accordingly, an opportunity of personal hearing was granted to HBN on December 12, 2014. However, HBN through its Managing Directors namely Mr. Amandeep Singh Sran vide email dated December 02, 2014, requested for an adjournment on the ground of a family wedding. The request was acceded to and the hearing was rescheduled to January 09, 2015, which was rescheduled to January 14, 2015, due to certain administrative exigencies. Thereafter, HBN vide its email dated January 02, 2015, requested for change of the venue of the hearing to Delhi. The request was acceded to and the matter was rescheduled to January 16, 2015. On the date fixed, Ms. Anju Jain, Advocate; Mr. Hitesh Sachar, Advocate; Mr. Punkaj Jain, FCA and Mr. Sunil Arora, FCA appeared for the noticees namely HBN, Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur and made oral submissions that it has repaid about ₹ 242 crore to its investors. The representatives also relied upon the written submissions filed on January 15, 2015. During the course of personal hearing, the Company and its directors were asked to explain as to *why SEBI should not consider that the Company has failed to fulfill the SEBI order dated July 12, 2013, as it has failed to repay the*

*investors as per the proposal?* The Company was also asked to submit the bank account statements from where the about ₹ 242 crore were disbursed.

For replying to the question and submission of documents, fifteen days time was granted to HBN. On persistent requests of the representatives appearing for the noticees, another opportunity of personal hearing was fixed for February 03, 2015.

12. I note that as the hearing notices issued to the noticees namely Mr. Satnam Singh Randhawa, Mr. Gajraj Singh Chauhan, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur could not be delivered, SEBI issued a public notice on January 24, 2015, in the newspapers advising these to attend the personal hearing in the matter on February 03, 2015. However, none of them turned up for the personal hearing on the date fixed. Considering this, I am inclined to proceed *ex-parte* as against these noticees.
13. On February 03, 2015, Ms. Anju Jain, Advocate; Mr. Hitesh Sachar, Advocate; Mr. Punkaj Jain, FCA and Mr. Sunil Arora, FCA appeared for the noticees namely HBN, Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur and made submissions while relying on the written submission filed on February 02, 2015.
14. The submission of HBN and its directors made vide letter dated January 14, 2015 and February 02, 2015, in brief, are as under:
  - a. HBN had launched various programmes/ activities in order to help small customers/ investors, so that they could gain from the investments, made in small sums.
  - b. During the course of personal hearing dated July 11, 2013, the representative appearing for HBN had explained that the business activities of the company did not fall under the purview of CIS. Without prejudice and going into the merits and keeping the interest of investors as paramount, the representatives appearing on behalf of HBN and its directors on instructions, volunteered to wind up the alleged scheme in order to repay the customers/ investors and sought reasonable time for the same from SEBI. Thereafter, HBN submitted a list of its major assets and that of group companies so as to enable SEBI to accede to their request of winding up of the schemes.
  - c. SEBI vide its order dated July 12, 2013, with a view to permit HBN to refund the money of its customers, issued various directions. Pursuant to passing of such directions, HBN has been complying with these and subsequent orders/ directions without any default. It has stopped receiving/ collecting money from its customers and

has disposed of the properties only for the purposes of repaying its customers. It has been filing the details of the investors with the repayment/ refund details from time to time to SEBI. As on December 18, 2014, HBN has repaid ₹ 242.17 crore to 2,36,307 investors.

- d.** HBN has been regularly reporting to SEBI about the development vis-a-vis the repayment to the investors and has been adhering to each and every communication/ direction received from SEBI.
- e.** HBN has sold various assets and have also liquidated the investments of the group companies to repay to its investors. It is still in search of prospective buyers for its various properties. However due to the depressed market conditions/ liquidity crunch HBN is facing lack of interest from the buyers towards various properties held by it. The same was also brought to the notice of SEBI on various occasions. SEBI vide its letter dated July 10, 2014, had directed HBN to look into the possibilities of selling its properties through auction or tender process. For the said purpose, HBN had also approached UTI, however, it did not get any positive response in this regard. Further, to repay the investors, HBN also thought it wise to avail loan and for the same it sought clarification from SEBI.
- f.** Due to the stress to repay the investors, HBN is faced with compelling circumstances to sell the properties hurriedly giving rise to a situation to sell the properties at a price much below the expected market price. HBN had also entered into 'transaction service agreement' with JLL to sell the properties located at Bhatinda.
- g.** Subsequent to the publishing of advertisement/ public notice in search of prospective buyers, a panic has been spread amongst the investors of HBN. Investors in the group of 30 to 50 visited the office of HBN everyday and demanded repayment, which created unnecessary pressure and hurdle on the smooth repayment process, resulting in, out of turn payment to such investors. Some investor groups came to take advantage of the prevailing situation and had started filing fictitious police complaints against HBN to extract money by creating undue pressure.
- h.** In compliance of SEBI's direction to appoint RTA, HBN after due approval from SEBI had appointed M/s MAS Services Limited as RTA to facilitate the repayment process. The company also opened an escrow account in Bank of Baroda on April 29, 2014 and deposited an amount of ₹ 32 lakh in the said account. For operation of account, the bank was to provide stationery to RTA, so as to facilitate payments. However, inspite of repeated reminders and follow ups in relation to providing specimen of stationery, the stationery was not provided by the Bank. As a result, the escrow account could not be

made operational/ functional because of the callous attitude and non co-operative approach of the Bank of Baroda. As a result of the same, HBN could not utilise the services of the RTA.

- i. HBN had appointed M/s Garg Mendiratta & Associates as concurrent Auditor. However, as they had recused themselves from the said appointment, HBN sent the name of R. Shandilya & Associates to SEBI for their appointment as concurrent auditors, which was also approved by SEBI on July 9, 2014. Due to the change in the concurrent auditor and delay in approval by SEBI, the process of concurrent audit has been delayed. However, such audit is in process and the report is expected to be submitted to HBN and SEBI soon.
- j. In the meantime, HBN was also faced with a winding up petition filed by an alleged creditor of a group company viz. Pier-One Construction Pvt. Limited. The petition had been filed on the premise that one of the group companies namely HBN Home and Colonisers Pvt. Limited has been unable to pay the dues for certain job work carried out. Hon'ble High Court of Delhi vide its order dated July 30, 2014 passed an *ex parte* directions to HBN whereby the Company was restrained from selling, alienating, transferring or parting with the possession and creating any third party rights in the immovable assets of the Company and its subsidiaries.

The alleged claim has been settled on September 6, 2014 and HBN has moved an application seeking recalling of the directions of Hon'ble High Court. As per the order dated December 09, 2014, Hon'ble Court has directed HBN that in case of any further assets of HBN are sought to be sold, intimation with regard to the book value of the assets and proposed sale consideration along with the details of recorded owner of the asset shall be furnished to the Hon'ble Court, prior to the transaction being completed.

- k. HBN has also said that its intentions are good and it would like to pay all its investors. It is financially sound to repay its liabilities. However, it has not been able to adhere to the time lines given by SEBI to repay the investors. HBN has proposed to make repayments as under:

**TABLE A**

Financial Year	₹ (in Crore)
January 10, 2015	35
2015-16	300
2016-17	300
2017-18	259

HBN also proposed to reserve ₹ 30 crore per annum towards the hardship committee to be constituted with SEBI officials along with the Company's representatives so as to

repay the customers according to the policies formulated by the said committee and also to settle out of the turn claims.

15. I have considered the SCN, reply of the noticees (viz. HBN, Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur and Mr. Gajraj Singh Chauhan), *interim* order dated July 12, 2013, the oral and written submission of noticees, the documents furnished by HBN and the material available on record. The main allegation against HBN is that the plans/ schemes operated by it are in the nature of CIS and HBN was offering these schemes without obtaining registration from SEBI in contravention of the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations. The directors of HBN have also been alleged to be responsible for the illegal conduct of the business of HBN. The issues that now arise for my consideration are as under:
- a. Whether HBN is operating a CIS without obtaining registration from SEBI?
  - b. Whether HBN has failed to repay to the investors as per the approved detailed procedure?

16. **Whether HBN is operating a CIS without obtaining registration from SEBI?**

- a. HBN in its reply to the SCN has argued that its schemes/ plans are not in the nature of CIS. The money is provided by the customers of HBN to facilitate its business. It has also been said that the customer entering into an agreement with HBN is entitled to assured returns on the payments made. I note that HBN was initially incorporated on December 29, 1998. As per the Memorandum of Association of HBN, the main objects of it, *inter-alia* are as under:

"... ..

1. To carry on whether as principles or agents, the business of buying, selling, importing, exporting, procuring, processing, extracting, making, preserving, packaging, bottling and canning milk and all milk products including condensed milk, powdered milk, cream, butter, butter oil, ghee, cheese, ice cream and the business of dairy farming.

... ..

3. To produce / cultivate / market agricultural products, like tea, pulses, rice, flour, spice, juices, wheat, in packed / loose in any form and derivatives.

... ..

4. To further the dairy activity purchase, sell, resell, livestock, its breeding and development, besides also carrying out the same activities on or behalf of individual or organization on a contractual / joint venture basis."

A reading of the objects as stated in the Memorandum of Association shows that the Company is also in the business of breeding and development of livestock and dairy products.

b. I have perused the copy of 'rule book' and 'certificate' as submitted by HBN. HBN while applying for registration as CIS had provided a copy of the 'rule book'.

- The salient features/ clauses of 'rule book' are being discussed below:

**"1. Introduction**

... .. *The demand of quality milk & its allied products has always remained higher than supply. Therefore, the company decided to develop and manage scientific and Modern Dairy Farms with mass participation of public by way of joint-ventures.*

*The joint-venturer shall enter into an agreement with the company on a non-judicial stamp paper after 12 month of receipt of application under category-I plans and after 3 years in case of category-II plans. ... ..*

... ..

**2. Objectives:**

1) ... ..

... ..

5) *To further the dairy activity purchase, sale-resale, livestock, its ... .. on or behalf of individual or organization on a contractual/ joint venture basis.*

... ..

**3. Salient features**

- *Loan facility*
- *no lapsation*
- *Compensation in the event of accidental death.*

... ..

... ..

**20. Other Terms and Conditions**

*(i) Joint Venturers will be repaid on expiry of Term.*

...

*(vii) The terms of joint venture agreement shall commence from the date of realization of cheques/ demand drafts/ bankers' cheques.*

*(ix) Payment of installment, if discontinued may be renewed on the basis of a fresh application duly submitted at the CSC.*

...

*(xi) Application shall be accepted only in the prescribed application form.*

...

*(xv) In case of any dispute(s) difference(s) controversy(ies) whatsoever, the relevant contents of English Version of Rule book shall be the exclusive basis of settlement/ resolution of the said dispute(s)/ difference(s)/ controversy(ies).*

... .."

- I note that HBN in the rule book has given the details of types of cattles and their estimated cost. The same has been brought out below for reference:

**TABLE B**

S.No.	Type of cattles	Qty. of milk Ltr. (per day)	Estimated cost
1	Brown Swiss	5-10	5,000-15,000
2	Karn Freeje	12-30	15,000-30,000
3	H.F.R/ H.F.	15-35	15,000-35,000
4	Jerses	15-45	15,000-45,000
5	Calf M/F		2,500-10,000

From the rule book, it is also noted that the plans offered by HBN can be categorised in two, as detailed hereunder:

**TABLE C**

Category I		Category II	
<b>Plan No. A</b>	72 months (6 years)	<b>Plan D</b>	66 months (5&1/2 years)
<b>Plan No. C</b>	108 months (9 years)	<b>Plan E</b>	75 months (6 & 1/4 years)
<b>Plan No. C1</b>	80 months (6 years 8 months)	<b>Plan F</b>	108 months (9 years)

The main difference in Category I and II is that under Category I plans, the payments by the customers are made in lump-sum. Under Category II plans, the payments by the customers are made in installments. Other difference in the plans floated by HBN is with regard to the tenure of the plan and returns thereof.

- An illustration of plans under Category I is as under:

**TABLE D**

**Plan No. 'C' for 108 months (9 years)**

S. No.	Consideration cost of Cattle/ Ghee	Expected Cost of Developed Cattle/ Ghee	Accidental Death Compensation (₹)
1	5,000	11,500	5,000
2	10,000	23,000	10,000
3	15,000	34,500	15,000
4	20,000	46,000	20,000
5	25,000	57,500	25,000
10	50,000	1,15,000	50,000

*"If the Joint Venturer want to purchase the cattle from the first party's (company) dairy farm and up bringing the cattle into the same dairy farm that can be done as under*

- The cost of the cattle includes maintenance expenses which will be paid by the joint venturer to the first party (company) at the time of agreement.*
- The Agreement will be for a fixed period of 6, 6 years and 8 months, 9 year in Category - I.*
- The Agreement cannot be cancelled upto 3 years. After 3 year if the joint venture wants to cancel the agreement, then the first party will charge 25% of the cost of cattle agreed at the time of agreement from the joint venture."*

- The illustration of plans under Category II is as under:

**TABLE E**

**Plan No. 'D' for 66 months (5 & 1/2 years)**

N.O. C.	Consideration cost of Cattle/ Ghee	Installments *				Expected Cost of Developed Cattle/ Ghee	Accidental Death Compensation (₹)
		I.P. M	Q.	HLY	YLY		
		₹	₹	₹	₹		
1	6,600	100	295	580	1,150	8,550	9,000
2	13,200	200	590	1,160	2,300	17,100	18,000
3	19,800	300	885	1,740	3,450	25,650	27,000
4	26,400	400	1,180	2,320	4,600	34,200	36,000
5	33,000	500	1,475	2,900	5,750	42,750	45,000
10	66,000	1,000	2,950	5,800	11,500	85,500	90,000

*\* Part of the Installments is also payable.*

*"Under this category joint venturer can book the cattle in easy 60 to 75 installments.*

- i. After receiving first 36 installments, the cattle will be allotted to the joint venturer and will be developed in the next 2 & 1/2 year in plan D and 3 & 1/4 years in plan E & 6 years in plan F by the (Company), first party itself in its dairy farms.*
- ii. The cost of cattle includes the maintenance expenses, which will be paid by the joint venturer to the company in 60 to 75 easy monthly installments.*
- iii. The agreement will be fixed for 5 & 1/2 years in plan D, 6 & 1/4 years in plan E and 9 year in plan F in category - II.*
- iv. The total term of the plan F is 9 years. However, joint venturer will have to pay installments for cattle/ ghee 5 years only."*

- As can be seen the plans provide for the consideration of cost of cattle/ ghee, expected cost of the developed cattle/ ghee and the 'accidental death compensation'.

c. Though HBN vide its letter dated March 21, 2012, had specifically denied that it does not have any brochures/ application forms, however, it is noted that the 'rule book' specifically mentions about the 'application form'. I have seen the sample 'application form' and 'joint venture agreement' received along with an investor complaint which was forwarded to HBN on April 05, 2013. The application form is a pre-printed document containing the following salient features:

*"5. The company does not accept any responsibility for issuing notice to Joint Venturer for payment of the Products installments and non-receipt of notice shall not be accepted as a valid ground for non-payment of any Products installment. If however, any notice or reminder is issued, such notice or reminder should not be considered as obligatory on the part of the company and should not be taken as a precedent under any circumstances.*

*6. The company shall issue certificate on the basis of application form. A certificate issued by company shall bear the seal/ stamp of company & shall be signed by the Chairman or any other authorised officer of company.*

...

*8. Joint Venture(s) shall be repaid on expiry of term. ...*

...

*10. The company reserves the right to reject any application for joint venture without assigning any reason thereof.*

....."

The application form finds mention of the Category Plan no., Term of plan, Consideration, Date of commencement, Expiry date of joint venture, Mode of Payment, etc. The application form also contains the details such as the name of applicant, correspondence address, nominee name, etc.

It is noted from the 'application form' that the same does not speak anything about the cattle. The salient features as discussed above categorically states that the Joint Venturer shall be repaid only after expiry of the term.

**d. Joint Venture Agreement:** The 'Joint Venture agreement' reads as under:

"... ..  
4. ...

*The cost of the cattle includes maintenance expenses, which will be paid by the joint venturer, i.e. second part to the 1st party at the time of agreement.*

...  
*That the agreement cannot be cancelled upto 3 years, in case second party cancels the agreement before 3 years, his investment will be refunded after the end of the scheme. However, after 3 years, if the second party wants to cancel the agreement, then the 1st party will charge 25% of the C.O.C. agreed at the time of agreement from the second party.*

... ..  
*Under Plan No. B NSC and KVP equivalent to 50% of cost of the cattle will be provided in the name of the second party and remaining amount shall be paid to 2nd party in shape of dairy products."*

I note that the 'Joint Venture agreement' mentions of investment in NSC and KVP, however, the application or the rule book does not mention about the said investment. I also note that the agreement cannot be cancelled upto three (3) years. Further, if an investor cancels the agreement before three (3) years, the investments are retained by the Company, till the end of the scheme.

**e. Certificate:** It is seen that the Company issues 'a certificate' against the investment taken from the customers/ investors. The sample certificate mentions as under:

*"CERTIFIED that the person described in Schedule hereto is Registered Joint Venturer of Consideration as shown in Schedule under Plan of Company, subject to the regular payment of Subscription(s) as mentioned in the said Schedule and also subject to "General Terms and Conditions" printed overleaf and Terms and Conditions as per Rule Book, as may be amended from time to time, ... .. It is hereby declared that Schedule, 'General Terms & Conditions' and other Terms & Conditions of Rule Book, as amended from time to time, shall be deemed to be a part of this Certificate."*

The Certificate contains the details such as the name and address of Joint Venturer, registration number, date of commencement, plan no./ term, cost of cattle/ ghee, etc. The 'certificate' further provides for the 'expected sum payable on expiry of term C.O.C./ Ghee', date of last payment and date of expiry of term. This document is more in the nature of a certificate of investment, recording the investment made by the customer and the appreciated value available on completion of the term.

A few other samples of 'certificate' also states that '*At the end of Term 10% of Consideration Amount will be paid as Bonus if the Joint Venture is NOT LAPSED.*'

It is noted that though the certificate has been issued against the booking of cattle, the certificate does not record anything about the identity/ description of the cattle. The

same, only record the investment made by the customer and the redemption value with date.

- f. Receipt:** Certificate also contains the 'first installment receipt-cum-acceptance letter' which reads as under:

*"RECEIVED with thanks from the person mentioned as Joint Venturer in the schedule below. The amount of first instalment of subscription alongwith admission fee of Rs. 5/- in pursuance of application made by the said person for Joint Venture with HBN Dairies & Allied Ltd. The said application is hereby accepted by the company subject to Rule Book as amended from time to time."*

The same also gives the expiry date of the plan.

- g.** From the discussion above, it is observed that HBN was inviting applications from the customers/ investors for the *purchase and upbringing of the cattle* under its various plans broadly categorised as lump sum and installment. I also note the following:

- i.** For applying the customer/ investor necessarily have to execute a 'Joint Venture agreement' with the Company, in which only the rights of the Company and the returns are mentioned.
- ii.** It is not clear whether on completion of the joint venture, the joint venturer/ investor will get the cattle or ghee.
- iii.** HBN guarantees assured returns on completion of the term as more specifically mentioned in the Certificate as 'expected sum payable on expiry of the term'.
- iv.** The cattle remains with the Company and the same is reared/ developed in the dairy farm of HBN only. The customer/ investors only gets a fixed amount at the end of the 'joint venture'.

From the observations as noted above, it can be inferred that the transactions of the Company are not in the nature of the 'joint venture' rather it can be said to be an investment scheme.

- h.** Having considered the above, now I proceed to deal with the charges leveled against HBN. The main allegation leveled against HBN is that it is operating CIS without obtaining registration from SEBI. Before proceeding further in the matter, it is necessary to note the background of CIS Regulations and how the provisions came to be framed. Several entities were mobilizing huge money by issuing various instruments and offering very high rates of return inconsistent with the normal rate of returns and then misutilising these funds, for the purposes not disclosed at the time of inviting the investments, thereby not only causing loss to the investors who lost their life savings to

such unscrupulous entities, but also eroding the confidence of the general public. Considering the high element of risk associated with such schemes, the Government of India felt that it was necessary to set up an appropriate Regulatory framework to regulate such entities. Hence, in order to protect the interest of the investors and to ensure that only legitimate investment activities are carried on, vide press release dated November 18, 1997, the Government of India communicated its decision that schemes through which instruments such as agro bonds, plantation bonds, etc., are issued by the entities, would be treated as Schemes under the provisions of the SEBI Act and directed SEBI to formulate Regulations for the purpose of regulating these CISs. It was against this background that Section 11AA of the SEBI Act and the CIS Regulations came to be framed. Thereafter, several press releases and newspaper advertisements/ notices were issued by SEBI from time to time in the leading newspapers bringing to the notice of the investors and the persons concerned, the various instructions issued by SEBI/ Central Government from time to time in respect of the functioning of the CIS. The press releases further stated that instruments such as agro bonds, plantation bonds should be treated as CIS coming under the SEBI Act. All the companies having such activities were required to file information with SEBI. Moreover, general public was also informed that no person can sponsor or cause to be sponsored any new CIS and thereafter raise further funds. Meanwhile, a committee was formed to examine and finalize the draft regulations for CIS to structure a comprehensive regulatory framework. Subsequently, the notification of CIS Regulations was issued on October 15, 1999. As per the CIS Regulations, any person who has been operating a CIS at the time of commencement of the CIS Regulations was required to make an application to SEBI for the grant of registration under the provisions of the regulation, within a period of two months from the date of the notification. No entity was allowed to run a CIS scheme without obtaining the Certificate of Registration from SEBI.

- i. The definition for 'collective investment scheme' was inserted in the SEBI Act, 1992, vide the Securities Laws (Amendment) Act, 1999 w.e.f. February 22, 2000. According to the definition, CIS means any scheme or arrangement which satisfies the conditions specified in Section 11 AA of the SEBI Act, which provides as under:

*"(1) Any scheme or arrangement which satisfies the conditions referred to in subsection (2) or [sub-section (2A)]<sup>1</sup> shall be a collective investment scheme.*

*[Provided that any pooling of funds under any scheme or arrangement, which is not registered with the Board or is not covered under the exemptions from CIS sub-section (3), involving a*

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<sup>1</sup> Inserted by Securities Laws (Amendment) Ordinance, 2014

*corpus amount of one hundred Crore rupees or more shall be deemed to be a collective investment scheme.]*<sup>2</sup>

*(2) Any scheme or arrangement made or offered by any [person]<sup>3</sup> under which,*  
*(i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized solely for the purposes of the scheme or arrangement;*  
*(ii) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable from such scheme or arrangement;*  
*(iii) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;*  
*(iv) the investors do not have day to day control over the management and operation of the scheme or arrangement.*

*[(2A)] Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act.]*

*(3) Notwithstanding anything contained in sub-section (2) [or sub-section (2A)], any scheme or Arrangement:*

- i. made or offered by a co-operative society*
  - ii. under which deposits are accepted by non-banking financial companies*
  - iii. being a contract of insurance*
  - iv. providing for any scheme, Pension Scheme or the Insurance Scheme framed under the Employees Provident Fund*
  - v. under which deposits are accepted under section 58A of the Companies Act, 1956*
  - vi. under which deposits are accepted by a company declared as a Nidhi or a mutual benefit society*
  - vii. falling within the meaning of Chit business as defined in clause (d) of section 2 of the Chit Fund Act, 1982(40 of 1982);*
  - viii. under which contributions made are in the nature of subscription to a mutual fund;*  
*[ix. such other scheme or arrangement which the Central Government may, in consultation with the Board, notify,]*
- shall not be a collective investment scheme."*

The term 'securities' in section 2(h) of the Securities Contracts (Regulation) Act, 1956 was amended vide the Securities Laws (Amendment) Act, 1999, w.e.f. February 22, 2000, to include units or any other instrument issued by any collective investment scheme to the investors in such schemes.

- j. Let me now, proceed to test the characteristics of the impugned schemes/ plans floated and carried on by the Company against the four conditions under Section 11AA(2) of the SEBI Act.
  - i. The first condition is that *the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement.* In its 'rule book', the Company has stated "*...The demand of quality milk & its allied products has always remained higher than supply. Therefore the company decided to develop and manage scientific*

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<sup>2</sup> Inserted by Securities Laws (Amendment) Ordinance, 2014

<sup>3</sup> Substituted for 'company' by The Securities Laws (Amendment) Ordinance, 2014

*and Modern Dairy Farms with mass participation of public by way of joint-ventures. The joint-venture shall enter into an agreement with the company ... after 12 months of receipt of application under category - I plans and after three years in case of category - II plans...".* "The 'rule book' also states that "... *To further the dairy activity purchase, sale-resale, livestock, its ... .. on or behalf of individual or organization on a contractual/ joint venture basis.*"

The 'rule book' further contains the details of various plans offered by HBN. As per the 'application form' and 'certificate', the joint venturer/ investor applies for certain category/ plan number as mentioned in the 'rule book'. Thus, the objective for a customer is to subscribe to one of the plans offered by the Company for purchase and rearing of cattle. Further, the certificate as provided by HBN, does not contain any column to specify the details of cattle allocated to the joint venturer/ investors. The above representations by HBN in its 'rule book' and observations are sufficient to find that the 'contributions, or payments made by the investors, are pooled and utilised by HBN for the purposes of the scheme or arrangement', the scheme being to further the dairy activity. Thus, satisfying the first condition as stipulated in Section 11AA(2)(i) of the SEBI Act.

HBN has submitted that the amounts taken from its customers are not solely utilized for the purpose of purchase and rearing of cattle and maintenance of dairy farms but a part of this amount is also used for investment in acquisition of fixed assets and investment of properties through its subsidiary/ associate companies. The same has not been referred in any of the documents viz., application, certificate, agreement, and receipt.

- ii. The second condition is that the *contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable from such scheme or arrangement.* As discussed above, the joint venturer/ investors make payments towards the schemes/ plans promoted by HBN. The 'rule book' itself assures joint venturers/ investors of 'expected cost of the developed cattle/ ghee' which means nothing but profits. Further, the customer is also promised 'Accidental Death Compensation'. The same is also a benefit. The 'certificate' issued by HBN also finds mention about the profits/ income. Also the admission of HBN in its reply dated July 08, 2013 i.e. the customer who enters into an agreement with the company is entitled to assured returns on the payments so made as per the plans. Further, HBN has also stated the customer is under no

obligation to purchase the cattle from the Company and it is optional to buy live stock from it. This makes it clear that the joint venturer/ investor makes contribution/ payment with a view to receive the profits/ income/ property/ return on their initial investments that may accrue to them as applicable, thus attracting the second condition as stipulated in Section 11AA(2)(ii) of the SEBI Act.

- iii. The third condition is that *the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors*. The fourth condition is that *the investors do not have day to day control over the management and operation of the scheme or arrangement*. In this regard, I note the relevant clauses from the 'rule book', i.e. *Joint Venturers will be repaid on expiry of Term, The cost of the cattle includes maintenance expenses which will be paid by the joint venturer to the first party (company) at the time of agreement*. HBN in its reply dated July 08, 2013 to SCN has stated that the so called property (cattle in the present context) always remains with the Company and the customer has option to buy, in case, if so desired by him.

It is noted that the 'rule book' clearly states that the 'joint venturer' wants to purchase the cattle from the Company's dairy farm and bring up the cattle in the same dairy farm. The cost of the cattle includes maintenance expenses. From the same, an inference can be drawn that the cattle always remained in the custody of HBN and the same are managed by the Company only.

I also note that in the plans of HBN, at the time of making the initial contribution/ payment, the customer/ investor decides *inter alia* the category, plan number, term of the plan, etc. It can be said that the customer/ investor does not take part in the acquisition, development or management of the cattle and its rearing. The customer/ investor also does not manage his investments in the plans/ schemes rather his investments are managed and utilized by the Company.

The above discussion and the general scheme of activities of the Company, makes it very clear that the property, contribution and investment pertaining to the plan/ scheme are managed by the Company. Further, it is also clear that the customer does not have day to day control over the management and operations of the scheme or arrangement. Such day to day control over management and operations of such schemes are also looked after by the Company and its directors.

k. As all the four conditions specified under section 11AA(2) of the SEBI Act are satisfied in this case, the schemes/ plans promoted, launched, carried on and operated by the Company are in the nature of CIS in terms of section 11AA(1). In this regard, I place my reliance on the observations of the Hon'ble Supreme Court, made in the matter of *PGF Limited & Ors. Vs. Union of India & Anrs.* (Civil Appeal No. 6572 of 2004):

*"Therefore, the paramount object of the Parliament in enacting the SEBI Act itself and in particular the addition of Section 11AA was with a view to protect the gullible investors most of whom are poor and uneducated or retired personnel or those who belong to middle income group and who seek to invest their hard earned retirement benefits or savings in such schemes with a view to earn some sustained benefits or with the fond hope that such investment will get appreciated in course of time. Certain other Section of the people who are worstly affected are those who belong to the middle income group who again make such investments in order to earn some extra financial benefits and thereby improve their standard of living and on very many occasions to cater to the need of the educational career of their children.*

*38. Since it was noticed in the early 90s that there was mushroom growth of attractive schemes or arrangements, which persuaded the above vulnerable group getting attracted towards such schemes and arrangements, which weakness was encashed by the promoters of such schemes and arrangements who lure them to part with their savings by falling as a prey to the sweet coated words of such frauds, the Parliament thought it fit to introduce Section 11AA in the Act in order to ensure that any such scheme put to public notice is not intended to defraud such gullible investors and also to monitor the operation of such schemes and arrangements based on the regulations framed under Section 11AA of the Act. ...*

... ..

*40. It will have to be stated with particular reference to the activity of the PGF Limited, namely, sale and development of agricultural land as a collective investment scheme, the implication of Section 11AA was not intended to affect the development of agricultural land or any other operation connected therewith or put any spokes in such sale-cum-development of such agricultural land. It has to be borne in mind that by seeking to cover any scheme or arrangement by way of collective investment scheme either in the field of agricultural or any other commercial activity, the purport is only to ensure that the scheme providing for investment in the form of rupee, anna or paise gets registered with the authority concerned and the provision would further seek to regulate such schemes in order to ensure that any such investment based on any promise under the scheme or arrangement is truly operated upon in a lawful manner and that by operating such scheme or arrangement the person who makes the investment is able to really reap the benefit and that he is not defrauded ... .. It is, therefore, apparent that all other schemes/ arrangements operated by all others, namely, other than those who are governed by sub-section 3 of Section 11AA are to be controlled in order to ensure proper working of the scheme primarily in the interest of the investors.*

... ..

*42. Therefore, in reality what sub-section (2) of Section 11AA intends to achieve is only to safeguard the interest of the investors whenever any scheme or arrangement is announced by such promoters by making a thorough study of such schemes and arrangements before registering such schemes with the SEBI and also later on monitor such schemes and arrangements in order to ensure proper statutory control over such promoters and whatever investment made by any individual is provided necessary protection for their investments in the event of such schemes or arrangements either being successfully operated upon or by any misfortune happen to be abandoned, where again there would be sufficient safeguards made for an assured refund of investments made, if not in full, at least a part of it.*

*... .. In the light of our above conclusions on this ground it will have to be held that Section 11AA is a valid provision, not suffering from any infirmity, as it does not intrude into the specific activities of sale of agricultural land and its development.*

... ..

*It is needless to state that as per the agreement between the customer and the PGF Limited, it is the responsibility of the PGF Limited to carry out the developmental activity in the land and thereby the PGF Limited undertook to manage the scheme/arrangement on behalf of the customers. Having regard to the location of the lands sold in units to the customers, which are located in different states while the customers are stated to be from different parts of the country it is well-nigh possible for the customers to have day to day control over the management and operation of the scheme/arrangement. In these circumstances, the conclusion of the Division Bench in holding that the nature of activity of the PGF Limited under the guise of sale and development of agricultural land did fall under the definition of collective investment scheme under Section 2(ba) read along with Section 11AA of the SEBI Act was perfectly justified and hence, we do not find any flaw in the said conclusion.*

... ..

*53. We, therefore, hold that Section 11AA of the SEBI Act is constitutionally valid. We also hold that the activity of the PGF Limited, namely, the sale and development of agricultural land squarely falls within the definition of collective investment scheme under Section 2(ba) read along with Section 11AA (ii) of the SEBI Act and consequently the order of the second respondent dated 06.12.2002 is perfectly justified and there is no scope to interfere with the same. In the light of our above conclusions, the PGF Limited has to comply with the directions contained in last paragraph of the order of the second respondent dated 06.12.2002 ... .."*

- 1.** To carry on CIS, the entity needs to be registered with SEBI in that capacity. Therefore, I have no hesitation in holding that HBN and its directors namely Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur were engaged in the fund mobilising activity by floating/ sponsoring/ launching, unregistered/ unauthorised CIS, as defined in the Section 11AA of the SEBI Act.
  
- m.** Section 12(1B) of the SEBI Act mandates that no person, shall sponsor or cause to be sponsored or carry on or caused to be carried on any CIS unless it obtains a certificate of registration from SEBI in accordance with the CIS Regulations. HBN has clearly failed to do so. Regulation 3 of the CIS Regulations provides that no person other than a Collective Investment Management Company which has obtained a certificate under the said regulations shall carry on or sponsor or launch a 'collective investment scheme'. A person can launch or sponsor or cause to sponsor a collective investment scheme only if it is registered with SEBI as a Collective Investment Management Company. Therefore, the launching/ floating/ sponsoring/ causing to sponsor any 'collective investment scheme' by any 'person' without obtaining the certificate of registration in terms of the provisions of the CIS Regulations is in contravention of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations. I note that HBN has launched a

CIS without obtaining certificate of registration from SEBI, it has contravened the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations.

**17. Whether HBN has failed to repay to the investors as per the approved detailed procedure?**

a. I note that HBN, vide letter its dated August 08, 2013, had forwarded a repayment proposal/ schedule and a list of its properties. The said proposal/ schedule was examined by SEBI and a detailed procedure for making repayments was forwarded to HBN, vide letter dated January 06, 2014, for necessary compliance. The procedure *inter alia* required as under:

- HBN to provide the details about its investors/ customers to SEBI.
- HBN to appoint a SEBI registered Registrar and Share Transfer Agent (hereinafter referred to as 'RTA') after obtaining approval of SEBI within one month for managing the escrow account and handling the entire repayment process. For the said purpose, it had to propose the name of three RTAs to SEBI. On consideration, SEBI to provide no objection to one of the three RTAs proposed by HBN. HBN, its directors, its group companies and their directors should not have any conflict of interest with such RTA.
- RTA has to inform the investors about the initiation of the repayment process by way of registered post within 15 days of its appointment, for handling the repayment process.
- HBN to open an escrow account with any of the public sector scheduled bank, within one week of appointment of RTA.
- HBN to publish an advertisement regarding repayment in an English newspaper having nationwide circulation and in a local daily at the places where investors are situated within 10 days of appointment of RTA.
- HBN to appoint a reputed concurrent auditor with the approval of SEBI to look into the details of day-to-day repayment to the investors within 30 days. HBN has to get its books of account and other relevant documents/ records in respect of its CIS activities audited by the said auditor.
- Before initiating the process of selling the properties, HBN and its group companies have to get the valuation of the assets counter checked by an independent Government approved valuer. Such valuer may be appointed by HBN after receiving the due approval of SEBI.

- After appointment of RTA, the independent valuer and the concurrent auditor, the details of procedure/ modalities of repayment of money to the investors are required to be finalized in consultation with the RTA, concurrent auditor and SEBI.
- HBN has to deposit the money as per the following time lines so that the money can be repaid to the investors within a time of one year:

**TABLE F**

S.No.	Time lines	% of the money deposited
1	Within two days of opening of escrow account	100% of cash/ deposits in any form with bank or other institutions available with HBN
2	Within three months from the date of receipt of SEBI letter	33% of the remaining total money due to the investors
3	Within six months from the date of receipt of SEBI letter	33% of the remaining total money due to the investors
4	Within nine months from the date of receipt of SEBI letter	34% of the remaining total money due to the investor + the additional amount if any

RTA to repay the money to the investors from the escrow account on proportionate basis. HBN has to provide an undertaking in the form of an affidavit to the effect that the said money would be utilized only for the purposes of repayment to investors.

- HBN to submit a monthly report to SEBI on the progress of realization of assets/ selling of scheme assets.
- b.** As per the procedure laid, HBN appointed one M/s MAS Services Limited as RTA and A.N. Associates as the 'Government approved valuer' as approved by SEBI on March 28, 2014. Approval for appointment of M/s. Garg Mendiratta and Associates as the auditor was given on March 28, 2014. Later as M/s. Garg Mendiratta and Associates resigned as auditor, HBN appointed a new auditor namely M/s. R Shandilya & Associates. Approval for appointment of M/s. R Shandilya & Associates as auditor and M/s. Garg & Associates as the 'Government approved valuer' was given vide letter dated July 09, 2014. Approval for appointment of S.C. Vohra as the 'Government approved valuer' was given vide letter dated August 21, 2014. Since, SEBI was not receiving any details of the investors and the monthly report on asset realization from HBN. SEBI vide letters dated April 01, 2014, April 21, 2014 and April 25, 2014, had sought said details from HBN.
- c.** HBN vide its letter dated May 06, 2014, informed SEBI that it has opened an escrow account with Bank of Baroda, Parliament Street, New Delhi. Vide this letter, HBN also submitted the list to whom repayment has been made. With regard to the asset realization, HBN informed that as on April 2014, HBN has been able to realize assets

worth ₹ 24,89,09,767. HBN vide its letter dated April 17, 2014, submitted details of its bank accounts as on November 30, 2012. Vide another letter dated April 29, 2014, HBN informed that Mr. Amandeep Singh Sran, Managing Director of HBN has been appointed as the nodal officer and in his absence Mr. Pankaj Tatarway, President (Corporate Governance) will act as a nodal officer.

- d. Thereafter, SEBI vide its letter dated May 08, 2014, asked HBN to confirm whether cash/ deposits in any form with bank or other institutions and 33% of the remaining total money due to the investors have been deposited in the escrow account or not, as stated in the procedure for repayment. While replying, HBN vide its letter dated May 13, 2014, informed that it would be depositing the cash and other deposits, if any, in the escrow account. HBN also stated that it is in the process of filing another representation in relation to the repayment procedure as the existing procedure would put it in unnecessary hardship, as about 15 lakh of its investors are holding deposits in the range of ₹ 1,000 - 5,000 and repaying these in tranches would increase the cost. Vide this letter, HBN also informed that they have repaid ₹ 193.73 crores to 2,00,517 investors including the returns due to investors on the date of payment.

In this regard, a meeting was held between SEBI and HBN on May 15, 2014, wherein, *inter-alia*, the following was communicated to HBN:

- The amount balance in the bank accounts of HBN (the details of which were submitted vide letter dated April 17, 2014) is required to be transferred to the escrow account opened for the repayment. For the same, the account statement of all these accounts are required to be submitted by HBN to SEBI by May 19, 2014. HBN to bring in the 33% of the repayment amount in the escrow account by June 30, 2014.
- An advertisement for the sale of the properties (belonging to HBN) namely Hotel Radisson Blu, Paschim Vihar, New Delhi, Hotel Country Inn & Suites, Bathinda, properties belonging to HBN in D' Mall and Paschim Vihar be published in the national daily like Times of India/ Hindustan Times by May 18, 2014.
- HBN to submit the artwork material for the sale advertisement to SEBI by May 16, 2014 and on approval, publish the same in the property section of the newspapers to attract buyers. HBN to initiate valuation process of these properties including all other properties immediately.
- HBN to notify the development/ progress in the procedure, if any, to SEBI on day to day basis.

e. HBN vide its letter dated May 15, 2014, submitted a representation with regard to the repayment to the investors, while stating as under:

- HBN has about 21 lakh investors out of which around 15 lakh investors are holding small sum of investments in the range of ₹ 100 - ₹ 5,000 amounting to about ₹ 200 crore as under:

**TABLE G**

S.No.	Amount due	No. of investors	Amount due (in lakh)
1	Upto ₹ 1,000	9,06,093	₹ 3,505
2	₹ 1,001 - ₹ 2,000	2,50,352	₹ 3,711
3	₹ 2,001 - ₹ 3,000	1,63,557	₹ 4,115
4	₹ 3,001 - ₹ 4,000	1,20,890	₹ 4,242
5	₹ 4,001 - ₹ 5,000	98,100	₹ 4,450
<b>Total</b>		<b>15,38,992</b>	<b>₹ 20,023</b>

HBN has said that most of such investors are located in far flung villages/ rural/ semi urban areas and are mostly illiterate. Therefore, intimating these through the publication of advertisement/ registered post would not serve the purpose and the same will create an unnecessary burden on the Company. It was also said that the investors without understanding the intent of such intimation would make a run on the branch offices/ field staff and create a situation of panic.

HBN requested SEBI to dispense it with the requirement of the publication of advertisement/ sending intimation through registered post and also requested to allow it to make the payment in one go to these investors.

- HBN is facing severe liquidity crunch because of the lack of interest from the buyers towards various properties held by the it/ its associate companies as their being glut in the market of similar properties. The Company is unable to sell its properties inspite of its best efforts or is compelled to sell these at a price lower than the market price of the property. The Company has to pay about ₹ 35 crore to 9 lakh investors who have invested up to ₹ 1,000. Further, about 6.32 lakh investors who have invested about ₹ 165 crore are in the range of ₹ 1,000 - ₹ 5,000. HBN has said that repaying these investors in three tranches would increase the cost in terms of cheque printing and RTA cost thus making repayment process highly costly. HBN would repay to the investors in one go instead of tranches.
- There are investors whose maturity is due and payment to them are not made. HBN intends to make payments in one go to these investors on preferential/ category wise basis:

**TABLE H**

S.No.	Repayment on preferential/ category wise basis	Amount (in crore)
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1.	Repayment to investors whose payments have matured and amount is due	₹ 117
2.	Repayment to small investors holding amount upto ₹ 5,000	₹ 200
3.	Repayment to the rest of the investors as per maturity on FIFO basis	₹ 626

- HBN generally receives the certificates before the payment of maturity amount. In the process given by SEBI, there is no reference to the return of certificates, which is essential for the internal control purposes. The Company proposes to deliver the cheques in the branches as per assigned branch code to enable the investors to collect the cheques from the said branches after endorsing and delivering the necessary certificates to the branches. It has also been said that the cheques are dispatched to the branches who in turn shall make the payment to the investors and get the receipt of acknowledgement duly signed by the investors which shall be further verified by concurrent auditors and RTA, at specific intervals.

This representation of HBN was forwarded to RTA on May 28, 2014, for its comments. RTA vide its letter dated June 02, 2014, provided its comments.

- f. In line with the discussion on May 15, 2014, HBN vide its letter dated May 19, 2014, forwarded a copy of the newspaper advertisement in relation to the sale of properties. Along with this letter, HBN also submitted copies of the bank statements evidencing the transfer of funds from its several accounts to the escrow account maintained with the Bank of Baroda. Thereafter, a meeting was held between SEBI, HBN and the RTA on June 03, 2014, wherein HBN was suggested to issue an advertisement with regard to the repayment and also to look into the possibility of selling its properties through auction/ tender process. It was also informed by HBN that the escrow account has a balance of ₹ 31 lakh and that by June 12, 2014, they are expecting a credit of about ₹ 40 crore. Upon consideration, the request of HBN of making repayments through its branch offices and agents, under the supervision of RTA was accepted and it was said that all the payment must be through the banking channel.
- g. HBN then issued a public notice in June 2014, in local newspapers of Raipur, wherein, *inter-alia* it was stated that HBN will repay matured amount through SEBI registered RTA and it has sufficient assets to repay. HBN vide its letter dated June 26, 2014, HBN intimated that it has placed advertisement in four (4) newspaper of Chhattisgarh on June 13, 2014 and it is in process of placing advertisements in other states where the investors are located. Thereafter, HBN vide its letter dated July 11, 2014, informed SEBI that the Company in order to repay to its investors had approached various banks and other lending institutions for granting loan against property. It has also been said

that the banks and other institutions are hesitant in providing any loan assistance to HBN as there is no explicit direction, in the *interim* order of SEBI, in this regard. Vide this letter, HBN also sought clarification whether or not HBN can obtain loan against property for the purpose of repayment to the investors.

- h. Vide another letter dated July 15, 2014, HBN intimated SEBI about the difficulties faced by it in operating the escrow account. It has been said by HBN vide submissions dated February 02, 2015 that for the operation of escrow account the bank has not given specimen stationery and the escrow account could not be made operational/functional. SEBI while replying vide its letter dated July 18, 2014, advised HBN to forward all the correspondences exchange by it with the Bank of Baroda, in this regard. HBN has not submitted such correspondences, till date. This conduct of HBN is highly objectionable. In the absence of any substantial deposits made by HBN in the escrow account for the purposes of making repayments to the investors and the above conduct of HBN, it can be inferred that HBN was not serious in making refunds. If HBN would have deposited the entire amount which it claims to have repaid to the investors in the escrow account the bank would also have been under pressure to make immediate necessary arrangement for onward payments to the investors. The conduct of HBN shows that it wanted to delay the matter and not comply with the order dated July 12, 2013.
- i. HBN vide its another letter dated September 09, 2014, informed SEBI that it has repaid ₹ 212.16 crore to 2,16,616 investors. At this stage, I note that HBN vide its written submissions dated January 14, 2015, has submitted that it had deposited ₹ 32 lakh in the escrow account. However, the said account could not be made operational/functional. The same shows that the repayments made by HBN were not through the escrow account. SEBI vide its letter dated October 28, 2014, sought the status of the repayment including compliance of SEBI's earlier letters dated January 06, 2014 and July 10, 2014, from HBN. The details of the amounts credited by HBN in the escrow account was also sought. However, SEBI did not receive any reply to this letter from HBN. Later, vide another letter dated December 18, 2014, HBN informed SEBI that it has repaid ₹ 242.17 crores to 2,36,307 investors. Thereafter, before the date of personal hearing on January 16, 2014, HBN submitted written submissions, copies of various letters and the orders of Hon'ble High Court of Delhi. Vide another letter dated February 02, 2015, HBN again submitted written submissions. On the date of hearing i.e. February 03,

2015, HBN submitted copies of the bank statements as asked during the course of personal hearing dated January 16, 2014.

- j. I note that in the recent past SEBI has received more than 1,200 complaints. These complaints *inter alia* alleged as under:
- HBN is not paying the matured amount. In certain cases, HBN has not repaid even after 18-24 months of the maturity date.
  - Phone calls have been received by SEBI, alleging therein that the branch office of HBN has informed them that the payment of matured amount shall be made by SEBI.
  - HBN has issued post dated cheques to its investors. Certain investor complaints have also alleged that the cheques received from HBN are getting bounced.
  - That the agents of HBN are asking for fresh deposits and are threatening investors of not getting their money back unless money is deposited in new scheme.

These complaints are serious in nature and have been forwarded to HBN for early resolution.

In addition to the above, an investor/ customer namely Dr. Prajakta C. Deaore who was given the 'registration certificate' on November 21, 2011, has intimated to SEBI that HBN is still collecting monthly installment in the scheme and is issuing receipts in the name of 'HBN Foods Limited' with the earlier 'registration certificate' number and date. SEBI vide its letters dated July 03, 2014 sought explanation on the issue from HBN. As no information was forthcoming, reminders letters were also issued to HBN on August 07, 2014, September 11, 2014 and email dated September 22, 2014. HBN has replied to SEBI and informed that they have repaid to the said investors. However, till date HBN has not submitted the explanation with regard to the issuance of certificate by HBN Foods Limited.

Thereafter, another investor namely Ms. S. Padmini vide her letter dated October 01, 2014, has submitted that 'HBN Dairies & Allied Limited' is now known as 'HBN Foods Limited'. Vide another letter dated October 23, 2014, Ms. S. Padmini has *inter alia* forwarded a ledger copy showing that the payments are being received by HBN and receipts are being issued of 'HBN Foods Limited'. From the said details, it can be inferred that HBN has continued collecting money from its investors and has issued receipts in the name of 'HBN Foods Limited'.

k. HBN while forwarding its submissions dated January 14, 2015, has provided two compact disks (CDs) to show that it has repaid to ₹ 242,17,08,260 to 2,36,307 investors upto November 30, 2014. During the course of personal hearing dated January 16, 2015, SEBI had asked HBN to submit the bank account statements from where approximately ₹ 242 crore have been disbursed. In compliance, HBN on February 03, 2014, submitted four volumes of paper book containing the various bank statements. I note that the bank account statements so submitted by HBN are not in sequence (either bank wise or area wise). However, an attempt was made to cross verify the claim of repayment by HBN and investor complaint on sample basis. For the same, two samples were selected i.e. Mr. Virendra Kumar Loniya and Mr. Ram Dayal Loniya, according to the Company their details are as under:

**TABLE I**

S. No.	Name of investor	Date of investment	Amount of investment	Maturity date	Promised return on maturity	Date of repayment	Proportionate promised return	Mode of payment
1.	Virendra Kumar Loniya	29/01/2007	₹ 11,040	29/04/2013	₹ 18,000	24/01/2014	14,126	Cheque/ DD
2.	Ram Dayal Loniya	16/03/2007	₹ 9,400	16/06/2013	₹ 18,000	24/01/2014	11,522	Cheque/ DD

I note that these investors while complaining to SEBI vide their letters dated October 31, 2014 have submitted that the cheque bearing number '561' issued to Mr. Virendra Kumar Loniya dated March 19, 2014, was returned with the remark 'insufficient funds' on June 07, 2014. As regards, the cheque issued to Mr. Ram Dayal Loniya by HBN, it has been said that the cheque bearing number '560' dated March 19, 2014 was returned with the remark 'insufficient funds' on May 06, 2014.

In this regard, I have seen the relevant bank statement of HBN with Axis Bank bearing account number- 910020029352533 and note that the cheques bearing numbers 560 and 561 were returned with the reason 'funds insufficient'.

In view of the samples discussed above, I note that HBN is trying to give an impression that it has paid to its customer. However, the fact is that the cheques issued are being bounced and the investors/ customers still remain unpaid. It is also important to note that HBN has claimed that the investors have been repaid in the month of January 2014, however, the cheques were issued in the month of March 2014 and the bank account statement of HBN states that the cheques were returned in June 2014 (in the case of Virendra) and May 2014 (in the case of Ram Dayal).

From the above discussion, one can say that the tall claims made by HBN of repaying about ₹ 242 crore to its over two lakh investors are not correct. It is likely that the amount actually repaid by HBN to its investors may be much less than what has been claimed.

1. HBN in its submissions dated January 14, 2015, has said that a panic had been spread due to publication of advertisement/ public notice in search of prospective buyers and groups of investors had visited the office of HBN and had demanded payments. According to HBN, the same had created unnecessary pressure which had resulted in out of turn payment to investors. This submission of HBN appears to be an afterthought as it had never intimated of the same to SEBI, earlier. Further, in my view if, HBN would have followed the transparent procedure prescribed by SEBI, then the so called panic could have been avoided. It is a fact as also admitted by HBN that all the repayment which have been made by it to the customers whose plans had been matured.

m. Having considered the steps taken by HBN in pursuance to the detailed procedure prescribed by SEBI for making repayments, order of Hon'ble Delhi High Court and the investor complaints received by SEBI, my observations in this regard are as under:

- HBN had not transferred the entire cash/ deposits in the escrow account within two days of opening of the same. The escrow account was opened on April 29, 2014. HBN vide its letter dated May 13, 2014, intimated SEBI that ₹ 193.73 crores have been repaid to 2,00,517 investors. It is clear that such repayment, if done were made not through the escrow account. Further, as on December 18, 2014, HBN has claimed to have repaid ₹ 242.17 crores to 2,36,307 investors again not from the escrow account.
- HBN has failed to intimate SEBI about the petition filed by Pier-one Construction Pvt. Limited before the Hon'ble Delhi High Court and the order of Hon'ble Court dated July 30, 2014 i.e. the direction to HBN to restrain from selling, alienating, transferring or parting with the possession and creating any third party rights in the immovable assets of the Company and its subsidiaries. HBN and its directors vide the said order were also restrained from selling, alienating or transferring any of its stock or investment. I note that such directions had direct bearing on the repayment procedure detailed by SEBI. HBN ought to have intimated of these to SEBI immediately.

- Later, HBN settled the dispute with Pier-one Construction Pvt. Limited by paying a sum of ₹ 2.30 crore. The same clearly shows diversion of funds and non compliance with the procedure prescribed by SEBI, as all the cash and deposits (as per the procedure), available with HBN had to be transferred to the escrow account within two days of its opening. Further, vide SEBI letter dated July 10, 2014, HBN was also advised to deposit at least half of the amount due to the investors in the escrow account within three (3) months.
- HBN preferred to settle the case by paying the amount. Hon'ble Delhi High Court in its order dated November 14, 2014, has also noted that HBN settled the disputes so that further enquiry or investigation into the matter does not take place.
- The Chartered Accountant appointed by the Hon'ble Delhi High Court, in his report dated September 16, 2014 had highlighted diversion of funds by HBN to its sister concern. The report also states that the net worth of HBN is in negative by ₹ 75,34,82,859 due to losses of ₹ 85,44,82,859.
- Hon'ble Delhi High Court in its order dated November 14, 2014, has also *prima facie* observed substantial lapses and transfer of funds between HBN and its subsidiaries and referred the matter to Serious Fraud Investigation Office (SFIO).
- The available facts show that HBN is still collecting money from its investors by giving the receipts in the name of HBN Foods Limited.
- I note from the balance sheet of HBN as on March 31, 2014, that it has given long term 'loans to subsidiaries' to the tune of ₹ 350,38,34,972.92 (**more than ₹ 350 crores**). The figure for the long term 'loans and advances to others' is ₹ 25,19,72,525.03 (**more than ₹ 25 crores**) and short term 'loan and advances (others)' is ₹ 143,71,49,694 (**more than ₹ 143 crores**). As mentioned above, HBN had taken deposits of more than ₹ 1,100 crore, in my view, HBN should have initiated steps to call back these amounts and made these available for repayment to its investors.
- HBN only gave the periodic reports (till August 2014) to SEBI and not monthly reports as per the procedure for making repayments.

In the light of the above and the admission of HBN that it has not been able to adhere to the timelines given by SEBI to repay the investors, I note that HBN has clearly failed to follow the procedure laid down for the repayment and failed to call back the loans and advances given by it to its subsidiaries and others. As per the submissions dated February 02, 2015, HBN had initiated the process of repayment from August 2013 i.e.

after filing of the proposal dated August 08, 2013 to SEBI. As on January 27, 2014, it has brought to the notice of SEBI that pursuant to the submission of proposal, it had already paid about ₹ 140 crores. From the same, it is interesting to note that HBN had repaid about ₹ 140 crore within a period of five months (i.e. during August 2013 - January 2014). In the second period of one year (i.e. February 2014 - January 2015), HBN has stated to repay only ₹ 102 crore (i.e. ₹ 242 crore - ₹ 140 crore). During the second period i.e. February 2014 - January 2015, HBN had issued various advertisements and in common parlance it should have returned more money than it paid during August 2013 - January 2014. This raises serious doubt about the claim of HBN and the authenticity of the payments made. Further, when HBN had made the proposal of repayment to SEBI then it was not fair on its part to proceed with the repayments.

18. HBN has argued that due to change in auditor and delay in approval by SEBI, the process of concurrent audit has been delayed. This submission of HBN, appears to be an afterthought as HBN had proposed the name of R. Shandilya & Associates on June 26, 2014 and SEBI had approved the name on July 09, 2014. I note that SEBI has received an 'Adhoc concurrent audit report' from the auditor namely R. Shandilya & Associates vide letter dated February 01, 2015, who has claimed to have conducted post verification repayment audit of HBN for 1,99,877 investors amounting to ₹192.96 crore. Under the brief summary of the audit, the following has been submitted:

- HBN has paid to 45,670 investors through cheques and 1,54,207 investors through cash. Such payments have been made without the supervision of RTA.
- The physical data like the application form, ledger account, identity proofs, maturity bonds, payment vouchers were not scattered in different godowns. In certain cases full chain of repayments were not available.
- HBN has used the stationary of group companies for making payments in certain cases.
- HBN has issued post dated cheques in certain cases.
- The auditor has pointed out that an amount equivalent to 25% of the amount due is recovered as penalty if the investor wish to redeem the investment before the maturity date.

In this report, the auditor have *inter alia* recommended that (i) no cash payments be made in future and payments be made through cheques from escrow account under

supervision of RTA, (ii) full chain of documents (from application to repayment) be maintained at one place, (iii) procedure of issuing post dated cheques should be stopped immediately. The auditor has stated that the final audit report will be submitted within 3 to 4 weeks.

In view of the above observations of the auditor, it becomes clear that payments were made without the supervision of RTA, though this was a condition stipulated by SEBI for making repayments. Further, the statement that the Company had made cash payments is also a breach of such conditions.

It has also been stated that HBN has deducted 25% of the amounts payable to the investors as a penalty. The Company cannot make any such deduction, as the liability to repay the investors has arisen out of its illegal manner of fund mobilization from them. Therefore, wherever such deductions were made, HBN shall make full payments to its investors with returns that were assured.

The auditor has also observed that HBN did not provide full chain of repayments and also that it has used the stationery of group companies for making payments. These statements therefore create a doubt as to whether the claim of partial repayments made by the Company, is genuine.

19. Now let me deal with the liability of its directors – both past and present. The SCNs have been issued to Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur. HBN in its reply dated July 09, 2013, has submitted that Mr. Satnam Singh Randhava, Mr. Gajraj Singh Chauhan, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur have ceased to be the directors of HBN the details of their resignation are as under:

**Table - J**

<b>Name</b>	<b>Date of ceasing</b>
Satnam Singh Randhava	20/03/2003
Gajraj Singh Chauhan	30/06/2006
Rakesh Kumar Tomar	01/11/2000
Sukhdev Singh Dhillon	01/11/2000
Ms. Sukhjeet Kaur	20/03/2003

From the above table, I note that the said noticees were the directors of HBN at the relevant period time and have resigned later-on. In view of the same, these five noticees

are also liable and responsible along with Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur, for the violations committed by HBN in running CISs without obtaining registration from SEBI as required under law, during the period when they were the directors.

20. In addition to the foregoing, I note that the Company had all the opportunity to sell its properties since July 12, 2013 (except for the period July 30, 2014 to December 09, 2014, when the restraint order of Hon'ble Delhi High Court was operative) and make repayments to its investors. I also note that there was no restraint on recalling the loans and advances so as to make the repayments. In view of the above discussion, I have no hesitation in holding that HBN failed to comply with the directions of SEBI issued vide Order no. WTM/PS/15/CIS/NRO/JULY/2013 dated July 12, 2013 read with the Repayment Procedure forwarded to HBN on January 06, 2014.
21. In view of the observations made in this Order, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Sections 11(1), 11B and 11(4) thereof and Regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999, hereby issue the following directions:
  - a. HBN Dairies & Allied Limited [PAN: PAN: AAACH7852C] and its directors/ former directors namely Mr. Harmender Singh Sran [PAN: AIGPS2229B], Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran [PAN: AUVPS5370E], Mr. Gajraj Singh Chauhan [PAN: ADXPC6922H], Ms. Manjeet Kaur Sran [DIN: 00105878], Ms. Jasbeer Kaur [DIN: 00161623], Mr. Rakesh Kumar Tomar [DIN: 06824416], Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur shall abstain from collecting any money from the investors or launch or carry out any Collective Investment Schemes including the scheme which have been identified as a Collective Investment Scheme in this Order.
  - b. HBN Dairies & Allied Limited and its directors/ former directors namely Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur are restrained from accessing the securities market and are prohibited from buying, selling or otherwise dealing in securities market for a period of four (4) years.
  - c. HBN Dairies & Allied Limited and its directors namely Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur shall **forthwith** wind up the existing Collective Investment Schemes and refund the money collected by

the said company under the schemes with returns which are due to its investors as per the terms of offer, on or before **March 09, 2015** and thereafter within a period of fifteen days, submit a winding up and repayment report to SEBI in accordance with the SEBI (Collective Investment Schemes) Regulations, 1999, including the trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refunds.

- d. The Company shall provide proof including trail of funds, bank statements to support its contention that it has refunded the monies to its investors.
- e. HBN Dairies & Allied Limited and its directors namely Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur shall not alienate or dispose off or sell any of the assets of HBN Dairies & Allied Limited except for the purpose of making refunds to its investors as directed above.
- f. HBN Dairies & Allied Limited and its directors/ former directors namely Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur are also directed to provide a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form.
- g. In the **event of failure** by HBN Dairies & Allied Limited and its directors namely Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur **to comply with the above directions on or before March 09, 2015**, the following actions shall follow:
  - HBN Dairies & Allied Limited and its directors namely Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur shall remain restrained from accessing the securities market and would further be prohibited from buying, selling or otherwise dealing in securities, even after the period of four (4) years of restraint imposed in Paragraph 20 (b) above, till all the Collective Investment Schemes of HBN Dairies & Allied Limited are wound up and all the monies mobilized through such schemes are refunded to its investors with returns which are due to them.
  - SEBI would make a reference to the State Government/ Local Police to register a civil/ criminal case against HBN Dairies & Allied Limited, its promoters, directors and its managers/ persons in-charge of the business and its schemes, for offences of fraud, cheating, criminal breach of trust and misappropriation of public funds; and

- SEBI would make a reference to the Ministry of Corporate Affairs, to initiate the process of winding up of the company, HBN Dairies & Allied Limited.
- SEBI shall also initiate attachment and recovery proceedings under the SEBI Act and rules and regulations framed thereunder.

22. This order shall come into force with immediate effect.
23. Further, for the contraventions as found in this Order and the contravention of Regulation 4(2)(t) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, SEBI may examine whether to initiate appropriate proceedings under Sections 11(4) and 11B of the SEBI Act read with Regulation 65(e) of the CIS Regulations and/ or Chapter VI A of the SEBI Act against HBN Dairies & Allied Limited and its promoter/ directors/ former directors including Mr. Harmender Singh Sran, Mr. Satnam Singh Randhava, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Ms. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur, in accordance with law.
24. Copy of this Order shall be forwarded to the stock exchanges and depositories for necessary action.

**DATE : February 12, 2015**  
**PLACE: MUMBAI**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**