

In The Court of MS. Arha Menam N.S.S.

75 COURT FEE 50 PAISE  
50 COURT FEE 50 PAISE

IN THE COURT OF ADDITIONAL CHIEF METROPOLITAN  
MAGISTRATE, DELHI

CC NO: 31 OF 2004

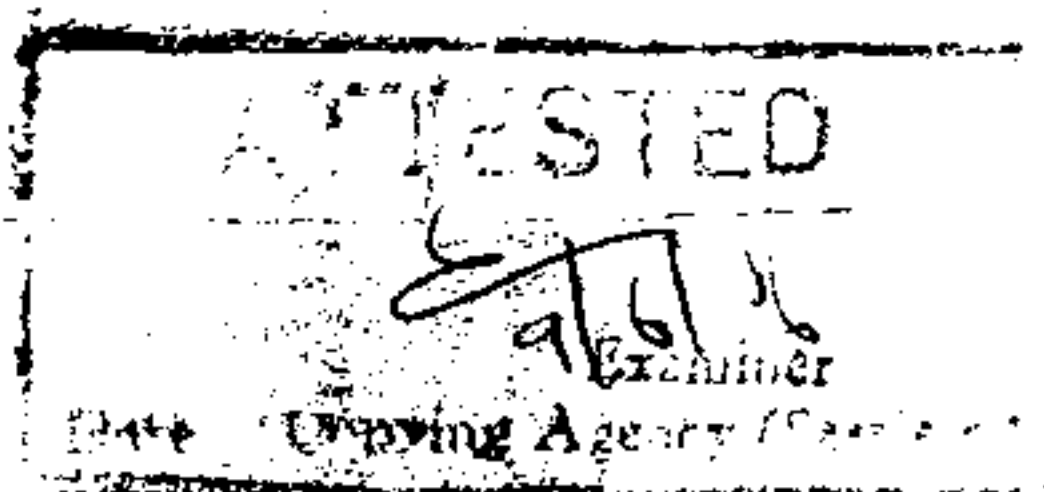
14/01/04

Securities and Exchange Board of India, a  
statutory body established under the  
provisions of Securities and Exchange  
Board of India Act, 1992, having its Head  
office at Mittal Court, B - Wing, 224  
Nariman Point, Mumbai 400 021  
represented by its Legal Officer, Shri  
Sharad Bansode.

...Complainant

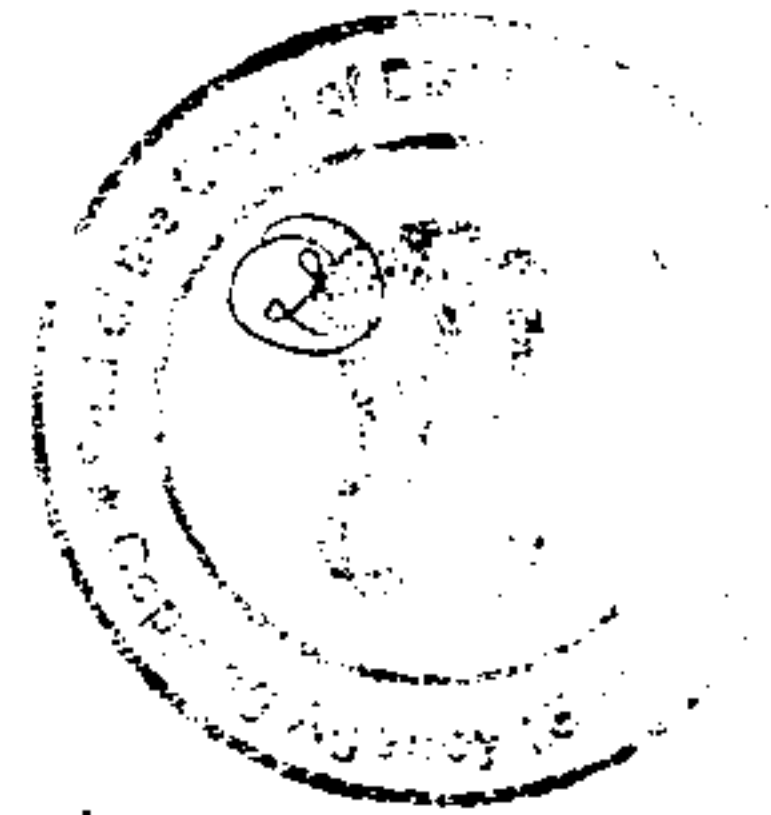
VERSUS .

1. Sandal Wood India P Ltd. a Company  
incorporated Under the Companies  
Act, 1956, having its Regd. Office at :  
GH-2/134 D, Paschim Vihar, New Delhi  
110063.
2. Shri Sumanyar Ranjan S/o P.L.Bhat,  
Director of Accused No.1, R/o:3003-A,  
Kongposh Colony, Near Rohini Sector  
22, New Delhi 110081.
3. Shri Rohit Ranjan Bhat, S/o P.L.Bhat,  
Director of Accused No.1, R/o:3003-A,  
Kongposh Colony, Near Rohini Sector  
22, New Delhi 110081.
4. Shri Rakesh Tickoo, S/o Shri K.L.  
Tickoo, Director of Accused No.1,



Copy to LAB (NRO)  
M/RV on return  
orig on Tadjment file  
6/7/06  
Aekha

S (Laron) - pls file  
Warner  
10/7/06

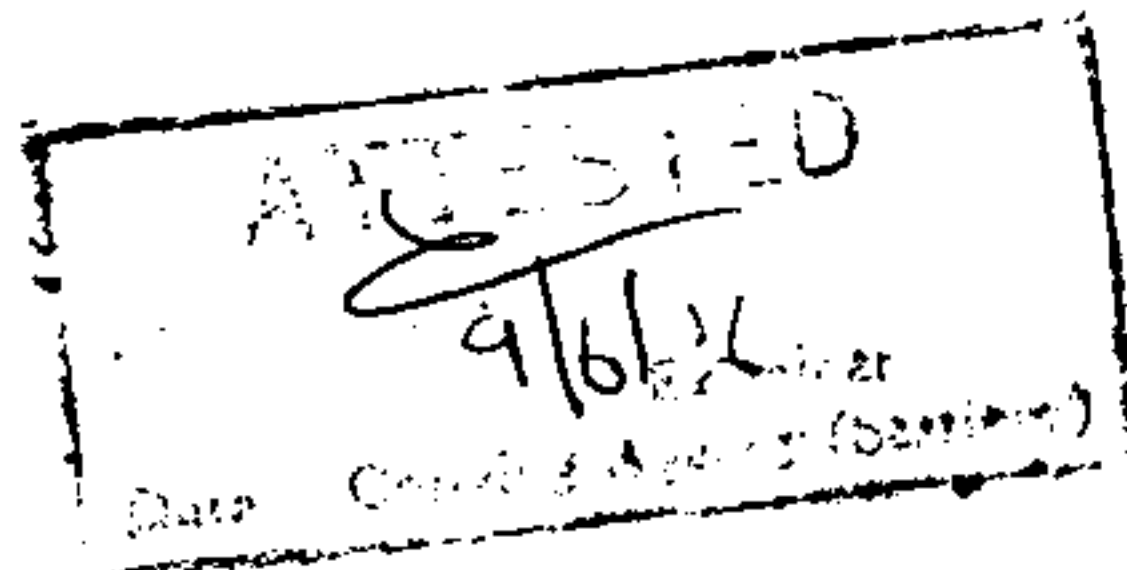


R/o:212-D, Friends Sector Subash

Nagar, Jammu Tawi, J&K.

.....Accused

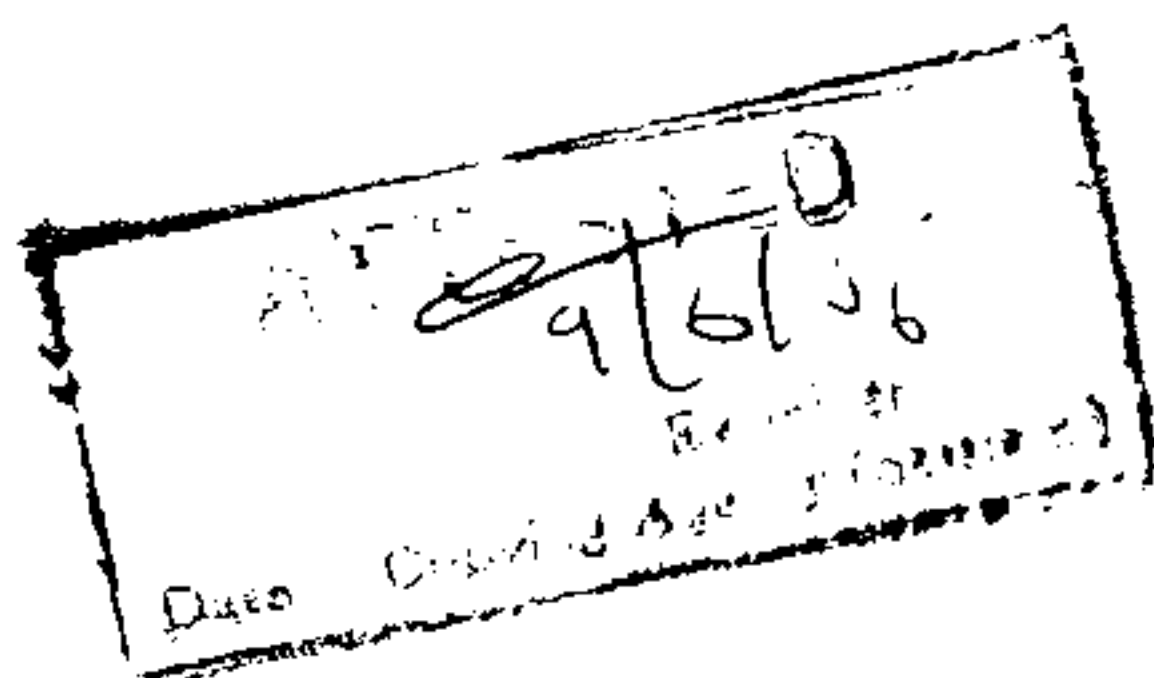
COMPLAINT UNDER SECTION 190 AND SECTION 200 OF THE CODE OF CRIMINAL  
PROCEDURE, 1973 READ WITH SEC. 24(1), 27 OF SECURITIES AND EXCHANGE  
BOARD OF INDIA ACT, 1992

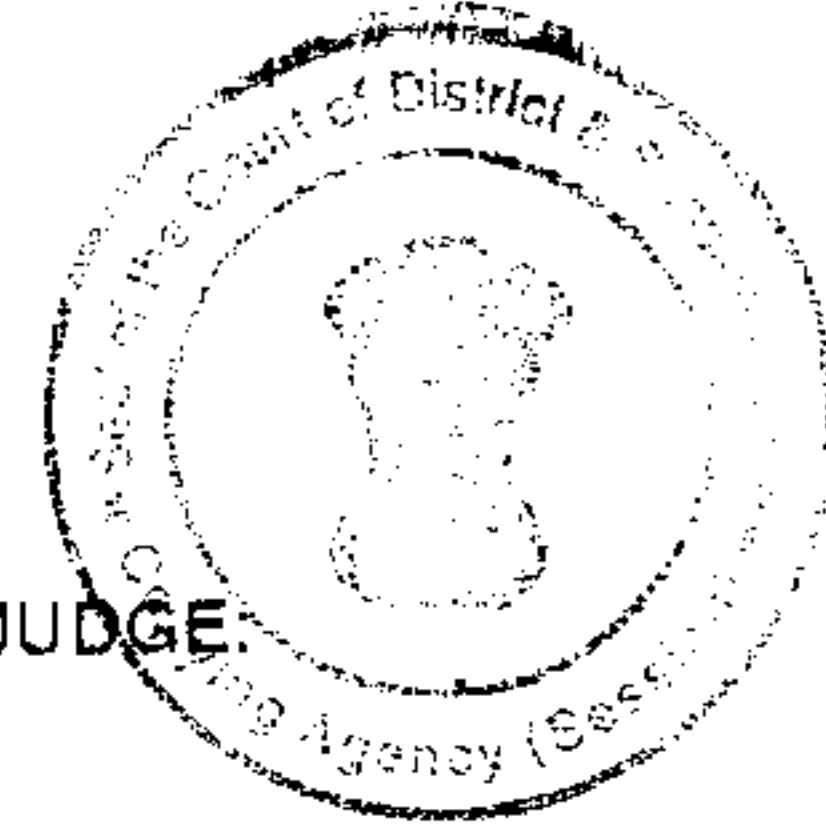


26-5-06.

Dr: All accused, A2-A4  
bail also for A1  
made separate orders of even  
date, the accused are  
connected & sentenced U/s 24(b)  
of W.S. 27 SEB Act 1992 to a fine  
of Rs 2500 each. In default of  
fine A2-A4 shall undergo  
for a month. The surety bonds  
and personal bonds are cancelled  
and sureties are discharged.  
File be consigned to records.  
Ashraf Khan  
Asst.

Announced in open  
Court on 26-5-06.





IN THE COURT OF MS. ASHA MENON: ADDL. SESSIONS JUDGE.

DELHI.

CC NO.175/2005

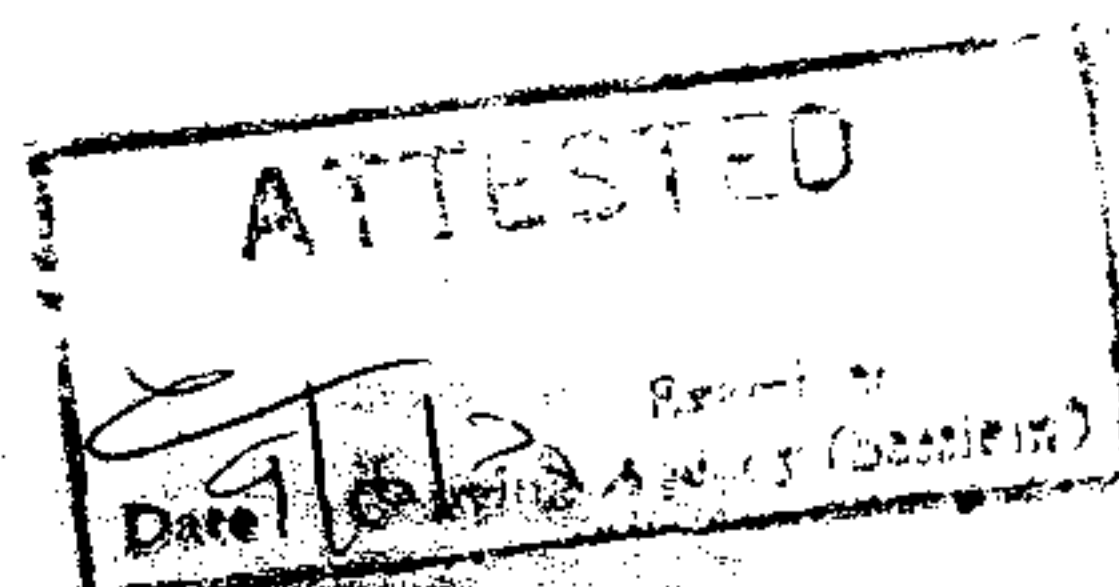
SECURITIES & EXCHANGE BOARD OF INDIA, a statutory body established under the provisions of Securities and Exchange Board of India Act, 1992, having its Head Office at Mittal Court, B – Wing, 224, Nariman Point, Mumbai 400 021 represented by its Legal Officer, Sh. Sharad Bansode.

... Complainant

VS.

1. Sandal Wood India P. Ltd. a Company incorporated Under the Companies Act, 1956 having its Regd Office at : GH-2/134-D, Paschim Vihar, New Delhi-110063.
2. Sh. Sumanyar Ranjan S/o P.L. Bhat, Director of Accused No.1, R/o 3003-A, Kongposh Colony, Near Rohini Sector 22, New Delhi 110081.
3. Sh. Rohit Ranjan Bhat, S/o P.L. Bhat, Director of Accused No.1, R/o 3003-A, Kongposh Colony, Near Rohini Sector-22, New Delhi-110081.
4. Sh. Rakesh Tickoo, S/o Sh. K.L. Tickoo, Director of accused No.1, R/o 212-D, Friends Sector Subhash Nagar, Jammu Tawi, J&K.

.... Accused





## JUDGMENT:

### BACKGROUND FACTS:

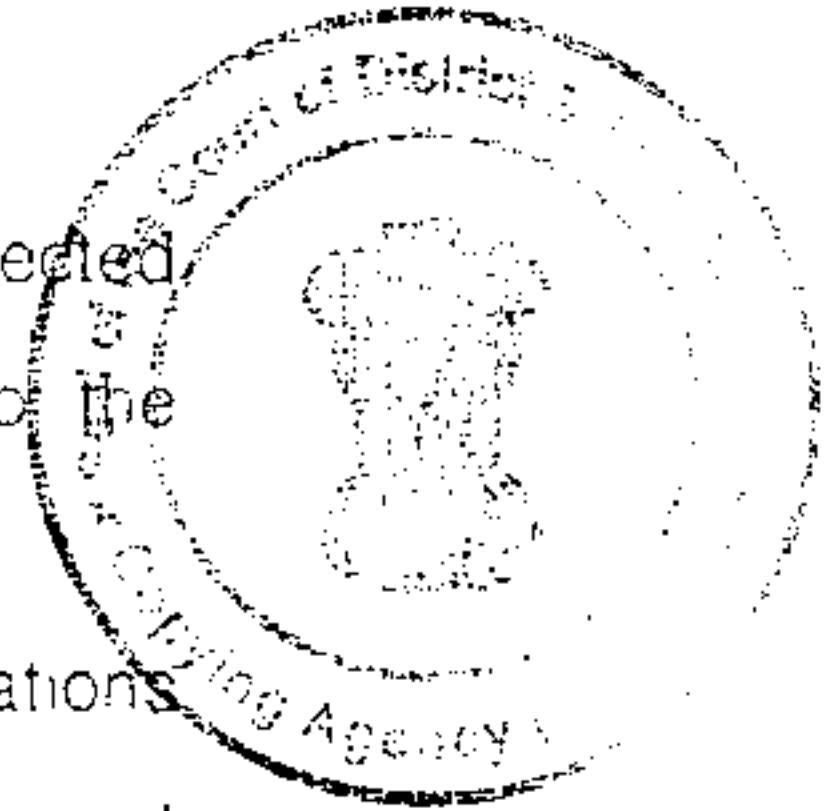


1. The complaint has been filed by the Securities and Exchange Board of India (hereinafter referred to as the SEBI) through its Legal Officer, Sh. Sharad Bansode. Thereafter, the complaint has been continued by Ms. Radhika Verma, Manager of the SEBI against Sandai Wood India P. Ltd. and against its Directors Sh. Sumanyar Ranjan, Sh. Rohit Ranjan Bhat and Sh. Rakesh Tickoo.
2. The complaint has been preferred under the Securities and Exchange Board of India Act, 1992 and the rules made thereunder. The case as set out in the complaint is that the Government of India after detailed consultations with the regulatory bodies decided that an appropriate regulatory frame work for regulating entities which issued instruments such as Agro Bonds and Plantation Bonds etc., was required to be created. Thereafter, the Government notified on November 1997, through a press release, that such Schemes relating to issue of Agro Bonds etc., would be treated as Collective Investment Scheme governed by the SEBI Act 1992.
3. The aim of these regulations were to ensure investor protection and to promote legitimate investment activities. The regulations were notified in 1999 as the SEBI (Collective Investment Scheme) Regulation 1999.
4. The entities involved in any Collective Investment Scheme were required, vide the press release dated 26.11.97, 18.12.97 to file information with the SEBI giving the detail of the Company, its Scheme and nature of Investment. In response the accused in this

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case i.e. Sandal Wood India P. Ltd. informed that they had collected Rs.55,600/- from the general public. It also informed who the Directors were.

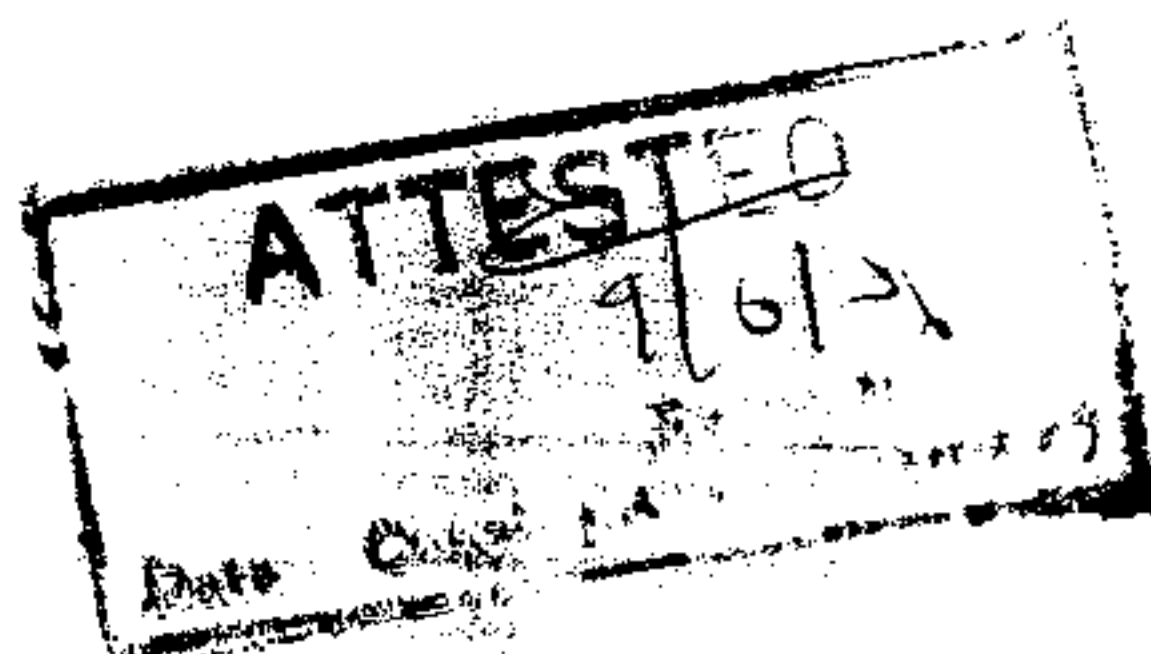


5. It has been stated in the complaint that after the regulations came into force, the SEBI issued letters dated 15.12.99 and 29.12.99 and also issued public notices dated 10.12.99 informing the accused company of the notification and the regulations and directing it to send information memorandum to all investors detailing the state of affairs of the Schemes, the amount repayable to each investors and the manner in which such amount was determined. This information was to be sent by 28.2.2000. Subsequently, the last date for furnishing details was extended upto 31<sup>st</sup> March, 2000.

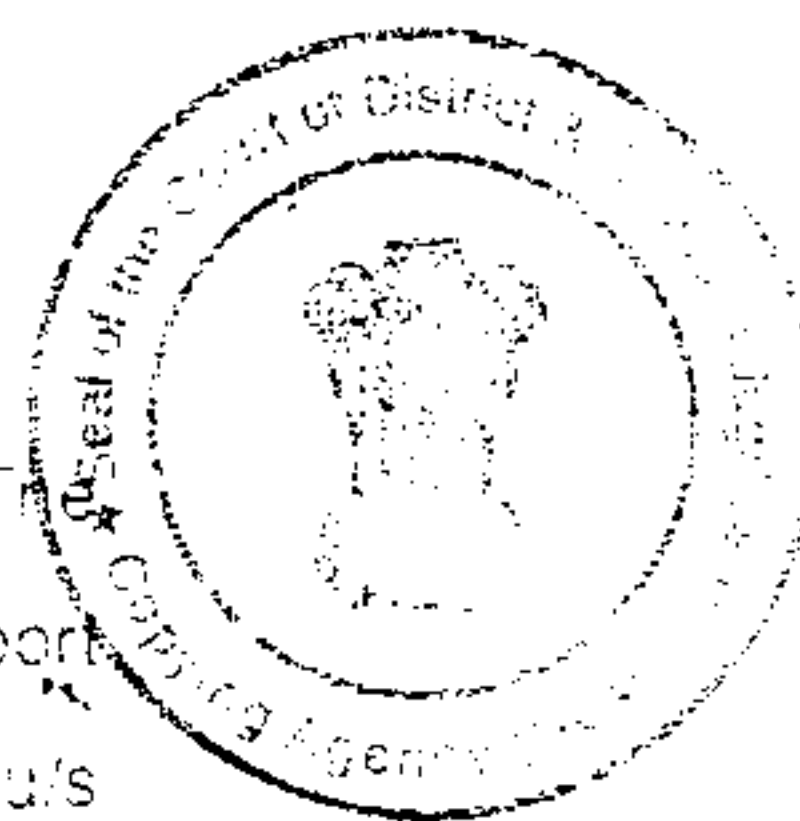
#### ALLEGATIONS IN THE COMPLAINT

6. According to the complainant, the accused No. 1 failed to apply for registration and also failed to submit the repayment report nor did it furnish details for winding up the schemes. Therefore, on December 7<sup>th</sup>, 2000, orders were issued by SEBI u/s 11 B of the SEBI Act 1992, to the accused company to refund the money collected to the investors within one month and submit the report of repayment and winding up to the SEBI. According to the complainant since there was no compliance of this order, the accused company and its Directors had violated the Regulations No. 68(1) and (2) 73 and 74 R/W Regulation 5 (1) of the SEBI (Collective Investment Scheme) Regulation 1999 and had also violated Section 11 B and 12 (1) B of the SEBI 1992 which were all violation punishable U/s 24 (1) of the SEBI 1992 R/W Section 27 of the said Act.

7. Vide orders dated 14.1.2004 the accused were summoned for trial. The notice of allegations under Section 251 Cr.P.C was



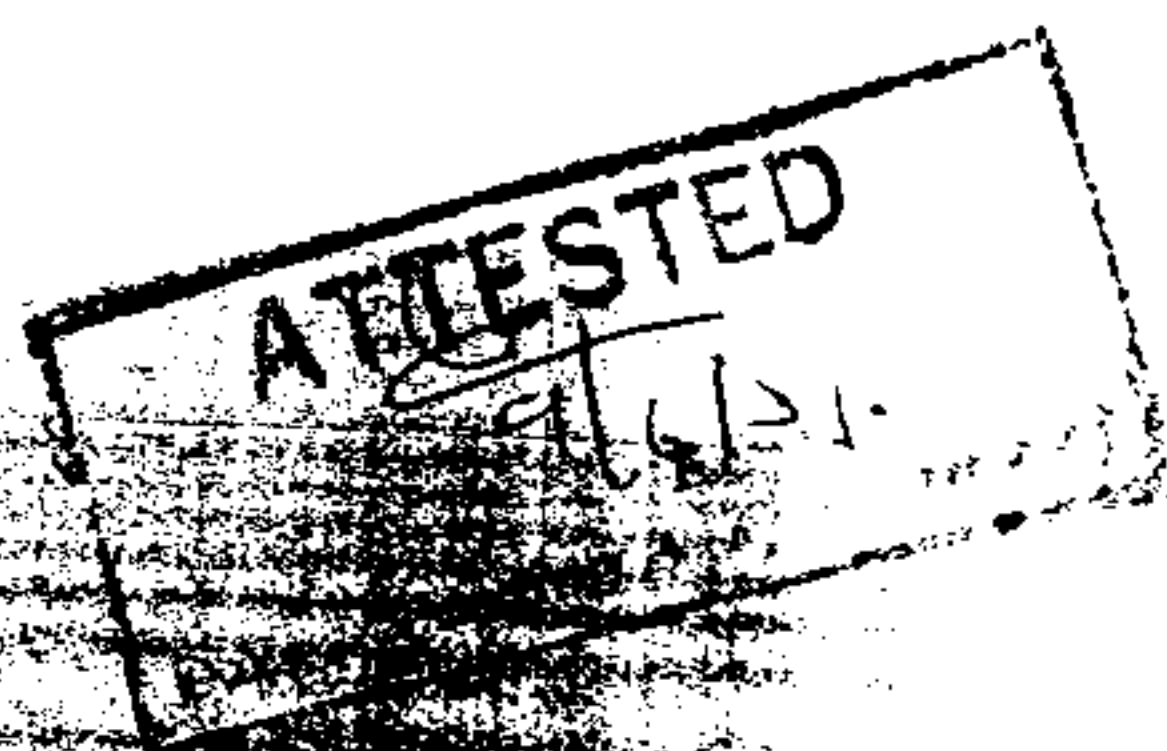
served on accused on 9.9.2005 and they pleaded not guilty. The SEBI examined Ms. Radhika Verma, Manager as CW-1 in support of the complaint. The statements of the accused were recorded u/s 313 Cr.P.C. The accused relied only on documents for their defence



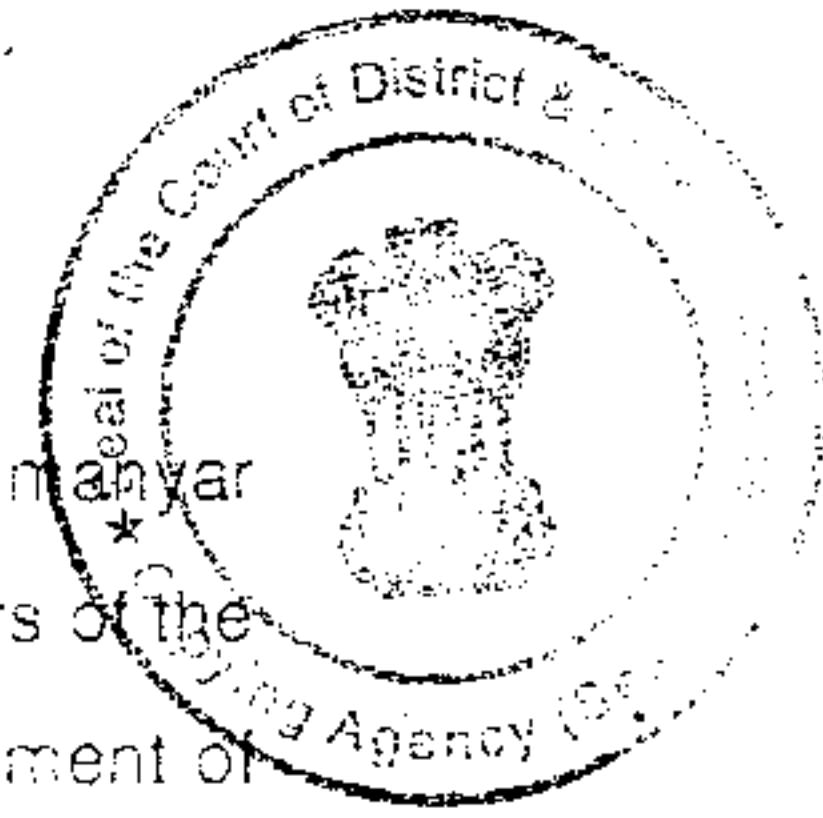
### EVIDENCE

8. CW-1 is Ms. Radhika Verma who has deposed to having been duly authorized by the SEBI chairman vide order dated 24.1.2003, to sign complaints, affidavits, petitions etc on behalf of the SEBI in her capacity as Manager, Northern Regional Office. She has deposed that the Government of India press release dated 18.11.97 directing that bonds which were in the nature of Plantation Bonds and Agro bonds issued by the Companies would be considered as Collective Investment Scheme as stipulated under Section 11 of the SEBI Act, 1992. She deposed that thereafter, the SEBI issued press release dated 26.11.97 and the public notice dated 18.12.97 directing the Companies which were running Collective Investment Scheme (CIS) to file information with SEBI regarding their Schemes such as details of fund mobilized, names of Directors/Promoters etc in case they were desirous of obtaining benefits under Section 12(1) (B) of SEBI Act. She deposed that pursuant to this the company filed information vide the letter dated 13.1.98 Ext.CW1/2 informing the SEBI that it had mobilized Rs.55,600/- in its CIS. The Company also submitted the details of its Directors alongwith the Memorandum and Articles of Association informing that Sh. Sumanyar Ranjan and Sh. Rakesh Tickoo and Rohit Ranjan Bhat were the Directors of the Company. She deposed that two letters dated 6.4.98 and 31.3.98 had been sent to the Company for additional information and documents and in response to this letter of the SEBI, the Company sent letter

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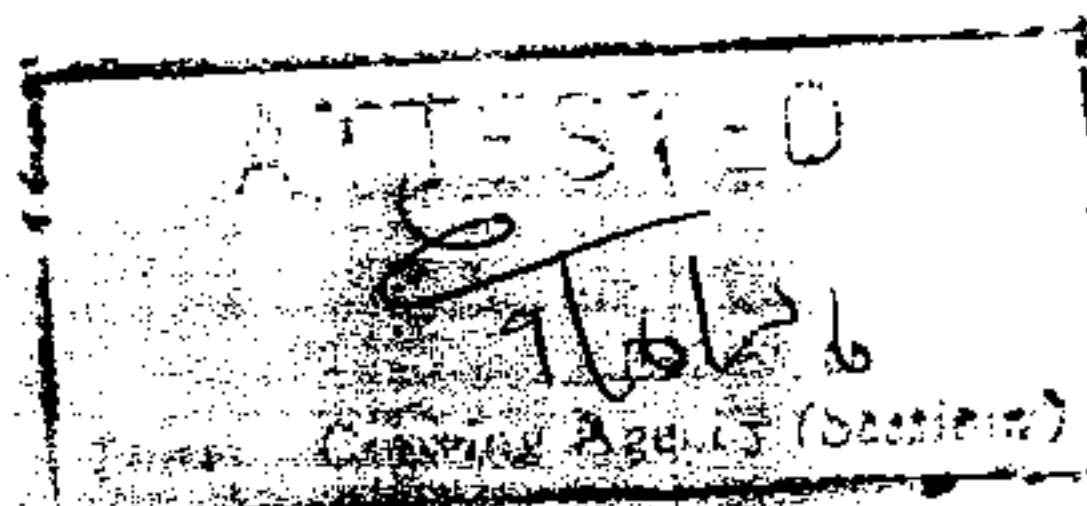


Ext.CW1/3 dated 30.7.98 once again informing that Sh. Sunanyar Ranjan, Sh. Rakesh Tickoo and Rohit Ranjan Bhat, Directors of the Company. It submitted the detailed statement of the deployment of funds wherein it was stated that the total amount mobilized by the Company was Rs.55,600/- out of which Rs.20,000/- had been paid as advance towards land. The witness deposed that the Company sent letter dated 25.11.98 Ext.CW1/4 informing the SEBI that the total future liability of the Company were Rs.6,02,804/-.

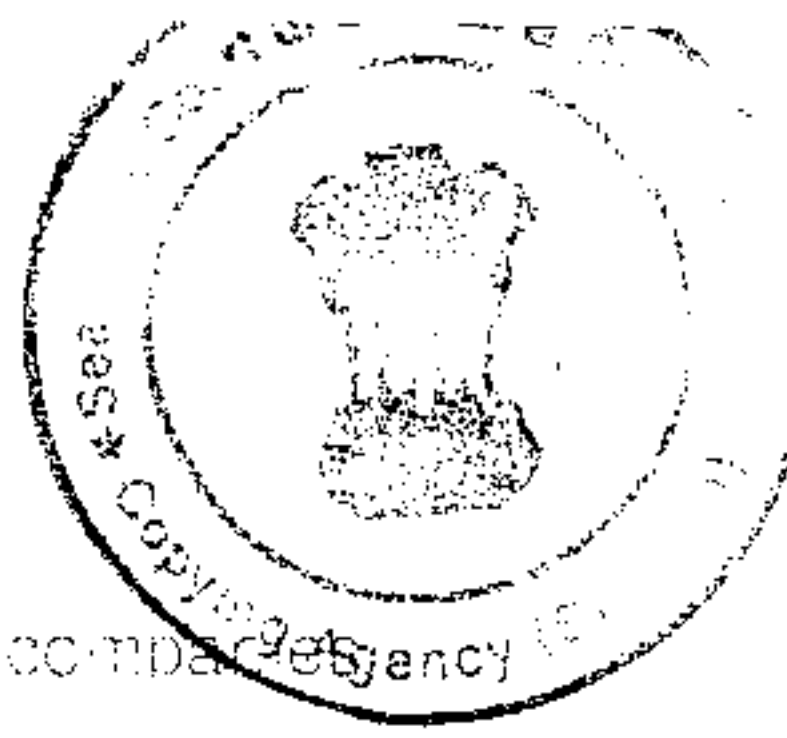
9. Subsequently, the SEBI (CIS) Regulations, 1999 were notified on 15.10.99. The witness deposed that intimation regarding the notification of regulations had been sent to the Company and it was intimated vide public notice dated 20.10.99 and specific letter dated 21.10.99 was sent by registered post. She deposed that this letter returned with the remarks "left without address". The witness deposed that in terms of the regulations the Company was required to apply for registration or wind up its scheme in terms of Regulations 73 and 74 and was further required to circulate information memorandum to its investors and to repay and wind up its scheme and submit the winding up and repayment report with the SEBI within five and half months. The witness deposed that these were communicated to the Company vide letters dated 10.12.99 and 29.12.99 and both these letters were also returned undelivered to the SEBI with the remarks "left without address". The witness stated that the requirements were also communicated vide public notice dated 10.12.99.

10. The witness further deposed that as the Company neither applied for registration nor intimated regarding the winding up of its Scheme, show-cause dated 12.5.2000 was issued which also returned to the SEBI undelivered to the accused with remarks "company closed". The witness stated that SEBI had forwarded the

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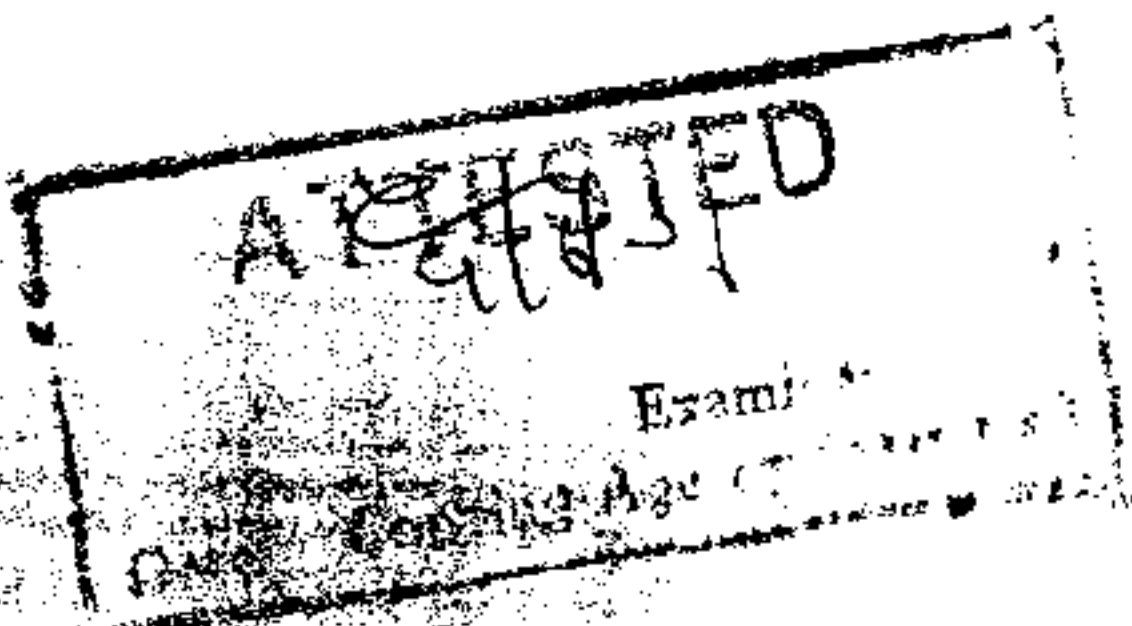


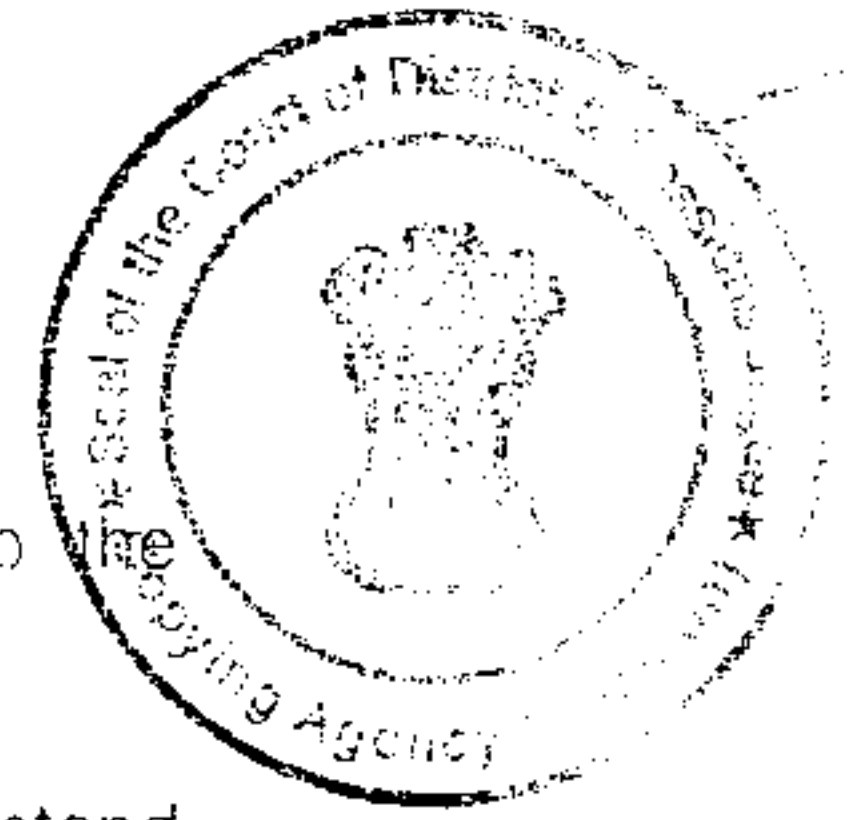


format of winding up and repayment report in which companies were required to furnish information regarding winding up of the schemes vide letter dated 31.7.2000 which was also returned undelivered to the SEBI with the remarks "left without address". On account of the failure of the company to comply with the regulatory provisions of the regulations, the Company was directed by the Chairman, SEBI vide order dated 7.12.2000 to repay the investors as per the original terms of offer within one month of the said order. The witness stated that this order was communicated to the company vide letter dated 18.12.2000 which was returned as undelivered to the SEBI with the remarks "left without address". The contents of the order was also published in Hindustan Times on 19.12.99 and in the public notice dated 14.1.2000 the name of this company was shown at serial no.390. The witness brought on record various exhibits including the returned envelopes and the copy of the publication in the newspaper. The witness has brought on record all the returned envelopes.

11 In her cross-examination CW1 deposed that the SEBI has not received any intimation from the accused about the change of address of the Company and that the Company had intimated the change of address in the year 1999. She deposed that no letter dated 20.6.1998 had been received by the SEBI. She further admitted that letter dated 8.8.2005 had been received and placed the same on the record as Ext.CW1/DB in which the address of Rohini has been mentioned. She admitted that the winding up and repayment report Ext.CW1/DC has also been received wherein it is mentioned that the amounts had been repaid and that the accused had collected Rs.55,600/- and had repaid Rs.59,000/- as per their report Ext.CW1/DC. However, she stated that the accused had not submitted the statutory auditor's report which is required in case

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where the claim of repayments have been made prior to the notification of regulations.

12. The statements of the accused were recorded. Their stand is that they had started operation in October, 1997 and the amounts raised only from family members who had been repaid by January, 1999. They stated that since operations had been closed and communication had been sent by SEBI but at the old address, they remained unaware of the further requirements under the regulations.

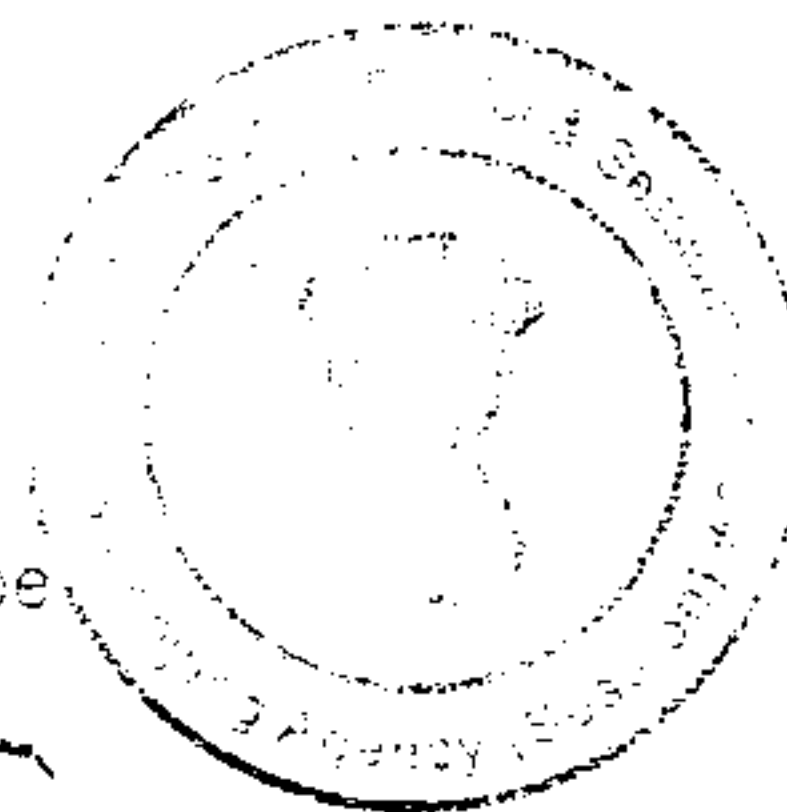
#### CONTENTIONS

13. The SEBI has contended that since the requirements as per the regulations had not been fulfilled by the accused the violation had occurred and therefore, the accused were liable for the violation. Hence they have prayed for conviction.

14. On the other hand, it has been submitted on behalf of the accused that they had concluded operations well before the regulations had come into force in October, 1999 and therefore, they were having no obligation left to comply with under the regulations. It has been submitted that therefore, there was no obligation for submitting further reports to the SEBI and in any case the lapse had occurred because the SEBI had sent its communications at the old address. Hence it has been submitted that they be acquitted. In response the learned counsel for SEBI has submitted that once the Company had responded to the first public notice of the SEBI informing Collective Investment Scheme that they were required to submit the details in case they wish to benefit under Section 12B of the SEBI Act, they were covered by the regulations. It was submitted that when the accused Company had not informed the SEBI about the change in their address they could not take benefit of non-receipt of communications. Hence



learned counsel submitted that the contentions were liable to be rejected.



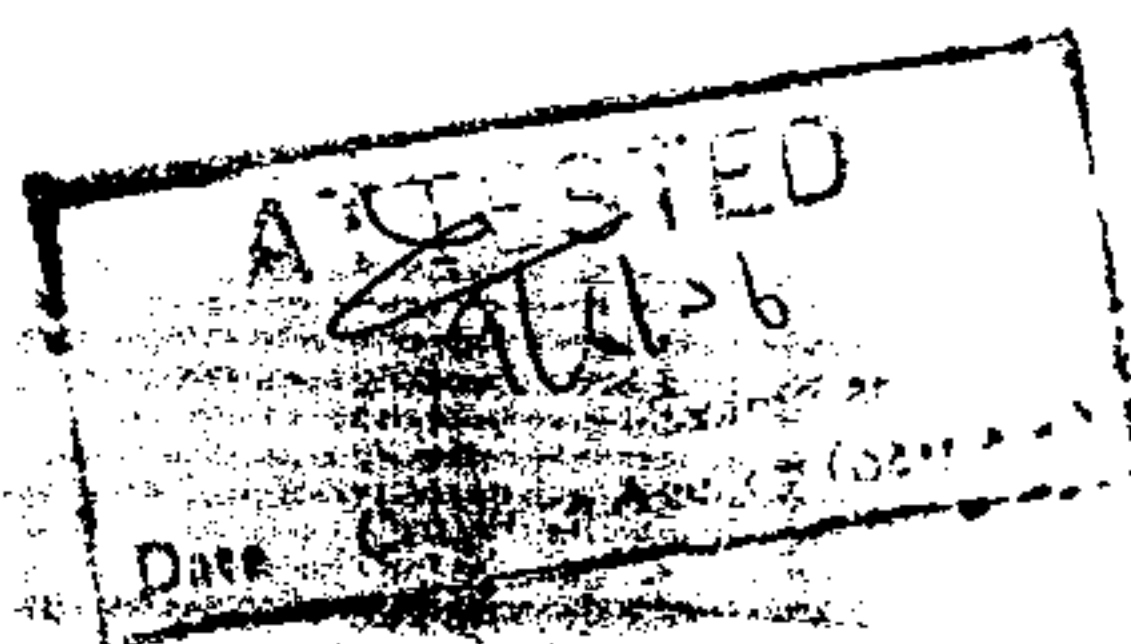
### FINDINGS.

15. I have carefully considered the arguments submitted by both sides.

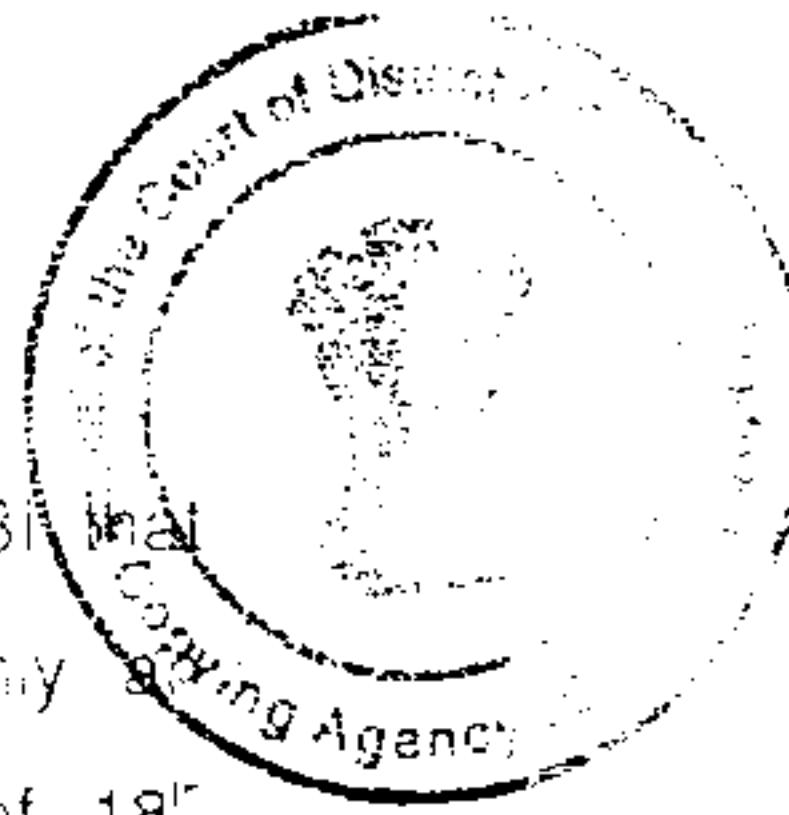
16. From the evidence on record it is more than established that the accused were running a Collective Investment Scheme. They had responded to a public notice dated 18.12.97 by sending a letter dated 13.1.1998 Ext.CW1/2 giving the details of their Schemes and the collections thereunder. It is also clear that Rs.55,600/- had been collected and that the accused no.2 to 4 were the Directors of the accused Company no.1.

17. It is clear from the record that after 30<sup>th</sup> July, 1998 the accused Company had not sent any communication to the SEBI. Though they have claimed that they had sent a letter on 20<sup>th</sup> June, 1998, they have not placed on record any postal receipt to prove dispatch of this letter. Therefore, there is no conclusive proof that the accused on closing operations had informed the SEBI that the business had been closed or that the Company's office had been shifted.

18. The accused cannot claim ignorance to extricate themselves from this prosecution. The public notice which had been issued on 18<sup>th</sup> December, 1997 informed those involved in CIS Scheme that they were required to register with the SEBI if they desired to reap the benefit under Section 12 (1)(B) of the SEBI Act. It also informed the Companies that regulations were being put into force. Thus, the accused no.2 to 4 who are well educated knew by way of this public notice that their Collective Investment Scheme would require registration under the SEBI to continue and failing that they would be required to wind up operations. The letter dated 30<sup>th</sup>







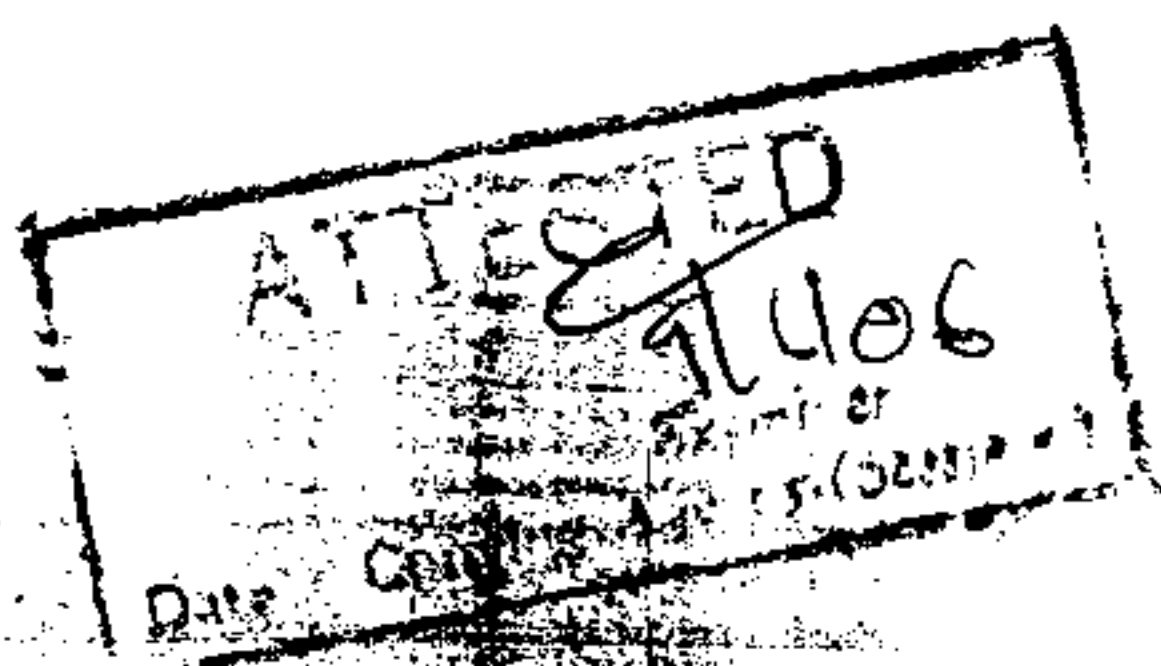
July, 1998 cannot be read as an information to the SEBI that operations had been ceased by the company. It is only a information to the SEBI that as per the public notice of 18<sup>th</sup> December, 1997 the company had not floated any new Scheme and nor had it collected any more funds and the company also undertook not to collect further funds till a rating was obtained by them. The SEBI would have had no means to know that the Company had or had not obtained the rating or that after so obtaining the rating had or had not collected further deposits till and unless the accused had themselves informed the SEBI of the status. That the accused have not done as made put on the record.

19. The violation of the regulations occurred according to the accused because they did not know about the regulations. The SEBI could sent communications only at the address it was aware of. In any case the newspapers contained public notice of the requirements under the SEBI Act and the name of the Company has appeared at serial no.390 in the public notice issued in the Hindustan Times on 14<sup>th</sup> January, 2001. That being the case, ignorance cannot come to the rescue of the accused.

20. Admittedly, the accused have not applied for registration under the SEBI Act. Admittedly they did not submit to the SEBI winding up and repayment report in format till the filing of the complaint. When finally they did, they have failed to submit the auditor's report as required under the SEBI regulations. Thus, the SEBI has proved the case against the accused that the requirement of the SEBI Regulations, 1999, have not been complied with by the accused. They are therefore, liable for the said violation under the provisions of the SEBI Act, 1992.

#### CONCLUSION

21. In the circumstances, it has to be concluded that the





accused had failed to submit the repayment report and winding up report in format to the SEBI though they were carrying on the business of Collective Investment Scheme and were fully aware of the fact that the SEBI was regulating the functioning of the Collective Investment Schemes. They have thus clearly violated the SEBI Regulations 1999 i.e., Regulation 68(1) (2) 73 and 74 and the Provisions of the SEBI Act 1992. They are found guilty accordingly and are liable for punishment under Section 24(1) R/W Section 27 of the SEBI Act.

The accused are entitled to be heard on sentence.

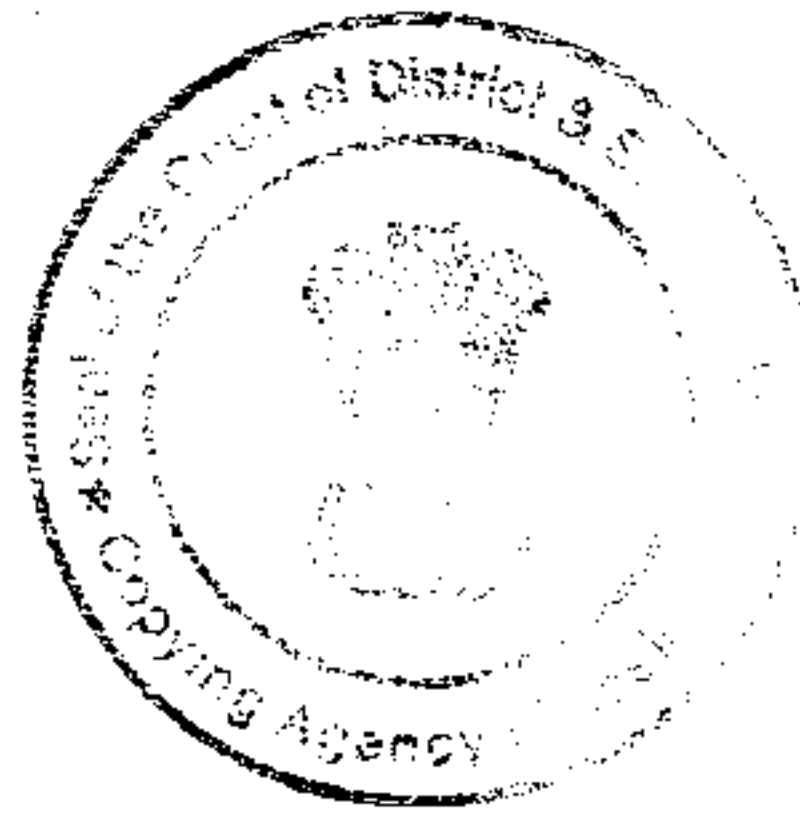
Announced in the Open Court.

Dated: 26.5.06

*Asha Menon*  
(ASHA MENON)

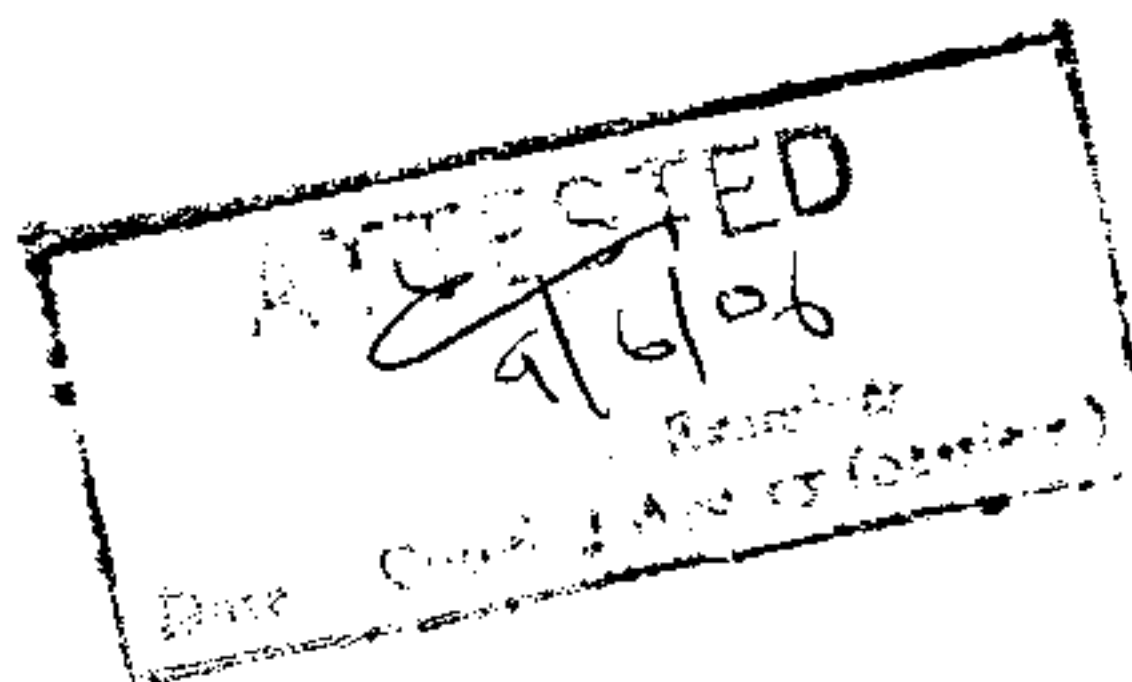
Addl. Sessions Judge:

Delhi.



Copy given to accused in the  
open Court at Fuc on dt. 26/5/06  
26/5/06

1. *EOM*
2. *Nolie Ranjan*
3. *Stills*



IN THE COURT OF MS ASHA MENON, JUDGE, DELHI

CC NO 175/05

SEBI VS SANDALWOOD INDIA P. LTD & OTHERS



ORDER ON SENTENCE

The accused have been heard on the point of sentence. They submit that they were immature at that point of time and therefore, inadvertently had overlooked compliance with the regulations and requirements of the law. They pray for lenient view.

Keeping the facts and circumstances of the case in mind including the fact that the amount involved is small and repayments have apparently been made though not yet varied by the SEBI as true. I considered that the ends of justice would be met if the accused are sentenced to a fine of Rs 2,500/- each. In default of fine, the accused no.2,3 and 4 shall undergo SI for one month. It is also directed that they shall comply with the requirements of the SEBI in respect of the repayment and winding up report within two months from today.

The personal bonds and surety bonds of the accused are cancelled. Sureties stand discharged. File be consigned to records.

Announced in the Open Court.

Dated: 26.5.2006

*Asha Menon*  
(ASHA MENON)

Addl. Sessions Judge, Delhi.

Copy given to accused in the open

Court at POC on dt. 26/05/06

26/05/06

1) *[Signature]*

2) Rohit Rayan

3) *[Signature]*

