

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992

In respect of: -

1	Mr. Verinder Bhanot	PAN: ADFPB5807Q
2	Mr. Akhil Bhanot	PAN: AKEPB5552G
3	Ms. Indu Bhanot	PAN: AAZPB7236L
4	Mr. Surinder Kumar Malhotra	PAN: AHCPM5033C

In the matter of Verinder Finance Limited

1. Securities and Exchange Board of India ("SEBI"), vide an *ad interim ex-parte order* dated May 20, 2015 (hereinafter referred to as "*interim order*") passed against Verinder Finance Ltd. (VFL) and its 13 directors, namely, Mr. Ranjit Kumar Basu Mullick, Mr. Ashish Chatterjee, Mr. Ramendu Chattopadhyay, Mr. Satya Ranjan Debnath, Mr. Biswajit Chakarborty, Mr. Purnendu Santra, Mr. Mr. Sudhakar Panda, Mr. Tariq Nafees, Mr. Verinder Bhanot, Mr. Akhil Bhanot, Ms. Indu Bhanot and Mr. Surinder Kumar Malhotra, restrained these persons, interalia, from mobilizing funds through the issue of securities to the public and issuing prospectus to the public for soliciting money from them, in any manner whatsoever, till further directions. The order also restrained them from accessing or dealing in the securities market and prohibited them from disposing any of the properties or alienate the assets of Verinder Finance Limited or their own assets. These directions are detailed in Para 22 of the interim order.
2. The *interim order* was passed in view of the *prima facie* findings that VFL and its directors are engaged

in fund mobilising activity from the public, through offer and issuance of Compulsorily Convertible Preference Shares (CCPS), in contravention of the provisions of sections 56, 60 and 73 of the Companies Act, 1956, and several provisions of the SEBI (Issue of Capital and Disclosure requirements) Regulations, 2009. It has been observed in the interim order that VFL in its Extraordinary General Meeting held on December 28, 2012 had approved increase of authorized share capital from Rs.2,05,00,000/- to 12,05,00,000/- which included issuance of 10,00,000 CCPS at a face value of Rs.100/-. Pursuant to this resolution, the company raised an amount of Rs.7,05,000/- from 1988 subscribers without filing prospectus, making required disclosures and complying with various requirements related to public issue of securities. Para 24 of the interim order, interalia, required them to show cause as to why a direction to refund money collected through the issue of CCPS, along with interest be not passed against them.

3. The company and their directors were given an opportunity to file their reply and appear for hearing. Reply in the matter has been received from all entities except VFL and Mr. Tariq Nafees. The reply filed by Mr. Verinder Bhanot, Mr. Akhil Bhanot, Ms. Indu Bhanot and Mr. Surinder Kumar Malhotra are similar. The defence raised by them is that they had resigned from the directorship of the company before the alleged activity of mobilization of funds by issuance of CCPS was undertaken by the company. An opportunity of hearing was granted to these entities along with others on March 6, 2017. Mr. Verinder Bhanot appeared for hearing and made submissions on behalf of himself and Mr. Akhil Bhanot, Ms. Indu Bhanot and Mr. Surinder Kumar Malhotra. The summary of the written and oral submissions of these entities are as under:
 - a) Surinder Malhotra resigned from the directorship of the company on February 11, 2009, Akhil Bhanot on April 6, 2010, Indu Bhanot on February 6, 2010 and Virendra Bhanot on February 29, 2012. In this regard, copies of Form 32 filed with the ROC and resignation letters of these directors accepted by the company have been submitted.
 - b) It has been also submitted that they had sold all shares of the company to Mr. Ramendu Chattopadhyay, the present Managing Director of the company, in terms of agreement dated July 17, 2010 and after sale of shares and their resignation from the directorship of the

company, they are not associated with the company in any manner and were not aware of or involved in the alleged issuance of CCPS by the company.

- c) It was submitted that they have already suffered the restrictions imposed by the interim order for a long time and therefore, the directions against them may be revoked.
4. I have considered the oral and written submissions made by Mr. Verinder Bhanot, Mr. Akhil Bhanot, Ms. Indu Bhanot and Mr. Surinder Kumar Malhotra and the documents available on record. It is observed from the interim order that the alleged mobilization of funds from the public by issuance of CCPS by VFL and its directors have taken place subsequent to the EGM held on December 28, 2012. As per the documents submitted by the above named entities, they had resigned from the position of the director or managing director on or before February 29, 2012, i.e., about ten months prior to the EGM in which the decision to mobilize funds was taken.
5. In view of the above, I find that the above named directors were neither aware of the alleged fund mobilization by VFL nor were they involved in any manner in the process of mobilization. Therefore, I do not concur with the prima facie findings against Mr. Verinder Bhanot, Mr. Akhil Bhanot, Ms. Indu Bhanot and Mr. Surinder Kumar Malhotra mentioned in the interim order. Accordingly, the directions issued against these directors vide interim order dated May 20, 2015 shall hereby stand vacated.

Date: March 30, 2017

Place: Mumbai

**G. MAHALINGAM
WHOLE TIME MEMBER**