

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4) and 11B of Securities and Exchange Board of India Act, 1992 read with Regulation 65 of the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999, in the matter of Sanghi Plantations Ltd.

In respect of:

Sr. No.	Noticees	CIN/DIN
	Company	
1.	Sanghi Plantations Ltd.	U20299TG1991PLC013166
	Director(s)	
2.	Siddharth Sanghi	00033401
3.	Amit Sanghi	00053271
4.	Kodhaty Chandrasekhar Rao	02093535
5.	Seshadri Upadhyayula	02093564
6.	Benda Ram Narayan	02093589

The entities at serial numbers 1 to 6 are hereinafter referred to by their respective names/serial numbers or collectively as **"the Noticees"**.

- SEBI had received several investor complaints pertaining to money mobilisation by Noticee No. 1 i.e. Sanghi Plantations Ltd. ("**SPL**"/ **the company**") and its failure to refund dues to the said investors. SEBI examined the complaints and it was observed that SPL had collected money for a teak plantation scheme (hereinafter referred to as **"the Scheme"**). The Scheme was found to be in the nature of a collective investment scheme as defined in Section 11AA of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and funds were being raised for the purpose of the Scheme without necessary registration under the SEBI Act. A common notice dated February 23, 2016 (hereinafter referred to as "**SCN**") was issued to the Noticees asking them to show cause why directions under Section 11, 11B of SEBI Act, 1992 and Regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as "**CIS Regulations**") in the interests of the investors, should not be issued against them.

2. The relevant facts outlined in the SCN are reproduced hereunder-

- (i) In reply to SEBI's letter dated April 15, 2005, SPL, vide letter dated July 23, 2005 had furnished the names and addresses of its directors along with copies of 3 Years Annual Reports for the financial years ended March 31, 2002, 2003 and 2004, along with auditors certificate dated July 23, 2005.
- (ii) The company in its aforesaid letter *inter alia* submitted the following- it had launched only one scheme of nurturing the saplings on behalf of its customers. The company stopped accepting money since 1992. The company had never collected any other amount in any other schemes. The total number of persons who have contributed in this scheme was 27,383 and refunds had been made to more than 50% of contributors i.e to 13,048 persons.
- (iii) The auditors certificate *inter alia* stated that a sum of ₹4,17,05,000/- was mobilized by SPL by issuing 41,705 bonds under the plantation scheme of which a sum of ₹2,09,79,000/- was refunded to the investors and a sum of ₹2,07,26,000/- was outstanding, as on July 23, 2005.
- (iv) The annual reports of SPL and financial statements submitted by SPL *inter alia* stated the following:
 - (a) SPL had received ₹3.99 crore as 'Subscribers funds' in 2001 which stood as ₹3.75 crore for FY 2002, ₹2.84 crore for FY 2003 and ₹2.40 crore for FY 2004 and the same were shown in the Balance Sheet on the 'Sources of Funds' section under the heading 'Reserves and Surplus'.
 - (b) SPL incurred ₹1.23 crore as 'plantation expenditure' as on March 31, 2001 which increased to ₹1.31 crore for FY 2002, ₹1.36 crore for FY 03 and ₹1.41 crore FY 04. This expenditure was shown as 'Application of Funds' in the Balance Sheet of SPL.
- (v) It is observed from the copy of the 'Teak Sapling Sale Certificate' issued to investors by SPL that the maturity date of the plantation scheme was May 20, 2012. Further the said certificate reads as under:

'This is to certify that we, Sanghi Plantations Ltd., have received from the person/s named herein the within mentioned sum as consideration for selling and thereafter fostering and nurturing for the holder of this sale certificate teak tree sapling/s ...'
- (vi) Some of the clauses of the terms and conditions of investment as found in a specimen copy of the application form of the plantation scheme, which were discussed in the SCN are reproduced hereunder:

“

1.
2. *Carefully selected saplings of premium grade teak are planted at the company's plantations and nurtured by the latest techniques known to agriculture to fully grown trees of high commercial value capable of yielding good returns.*
3. *Once the allotment of trees is made the applicant cannot subsequently withdraw his application.*
4.
5.
6.
7. *Under the scheme, SPL plants a sapling of teak tree in the company's plantations for the holder of the receipt and nurture its growth for a period of 20 years and delivers the tree to the Receipt holder thereafter.*
8.
9.
10.
11.
12. *The Receipt Holder shall be beneficiary of the concerned tree to the extent of tree alone from the height of 12" above the ground level. The entire control and management of the tree and the plantation shall be that of the company.*
13. *The Receipt Holder shall not be entitled to any product or output from the said land during or after the period of the scheme and it shall be the exclusive property of the company.*
14.
15.
16. *The Company shall not be liable to pay any damage or compensation to the receipt holder for any breach due to any unforeseen circumstances.*
17.
18. *At the end of the scheme period, the receipt holder shall present the receipt of the company and exercise his choice of either the tree or its realisable sale proceeds.*
19. *If the choice is the tree, the company will, on payment of labour charges, arrange for the tree to be cut and to deliver it to the Receipt holder. It will be the responsibility of the Receipt holder to make necessary arrangements to transport the tree away from the Company's plantation area.*
20. *If the receipt holder opts for the realisable proceeds, the company will make payment of the amount by cheque within 30 days of the Receipt Holder exercising the option..*
21.
22.
23.
24.
25.
26.
27. *Applications must be made in the names of individuals, limited companies, statutory corporations, or institutions and NOT in the names of foreign nationals, trusts (unless the trust is registered under the Societies Registration Act, 1960 or any other applicable trust laws and is authorised under its constitution) partnership firms or their nominee(s) or agents of any of them. "*

3. The SCN evaluated the available facts on record from the perspective of the conditions stipulated in section 11AA of the SEBI Act, to reach a prima facie conclusion that the Scheme was in the nature of a Collective Investment Scheme. This evaluation and its merit will be discussed later in this Order.
4. In their replies to the SCN, the noticees have not contested the prima facie conclusions of the SCN on merits i.e. as to whether the Scheme constituted a Collective Investment Scheme. Details and relevant extracts of the replies to the SCN submitted by the noticees are as follows:

(i) Reply from Noticee No. 1 dated May 09, 2017

Noticee No. 1 in para 2 of its reply admitted that it had collected money for its teak plantation scheme. It further submitted as follows-

- (a) The Company is part of a business conglomerate run by the Sanghis. The Sanghi Group of Companies was into diverse business like clothing, media, infrastructure etc. providing employment and livelihood to scores of people. The Group was managed by four brothers viz. Late Anand Prakash Sanghi, Mr. Sudhir Sanghi, Mr. Ravi Sanghi and Mr. Girish Sanghi.
- (b) The company did not have any income. However expenditure was incurred for maintaining plants and also refunding/settling the amount to the investors who approached the company after maturity period.
- (c) Around 2005, differences arose between the above said four brothers of the Sanghi Group which resulted in unending disputes and filing of various cases by and against each other before Company Law Board and other fora which remain pending since the year 2008. The Company Law Board (CLB) during the course of proceedings before it advised a settlement among the four brothers. During the pendency of the aforesaid proceedings, CLB passed an order directing status quo with respect to all the group companies of Sanghi Group including Sanghi Plantations Limited. The matters at present are still pending and are being taken up by the newly constituted National Company Law Tribunal (NCLT). A copy of the CLB order of Chennai dated 23-10-2008 is enclosed. The Company could not comply with Regulation 73 of the CIS Regulations in letter and spirit on account of the aforesaid order of the CLB.
- (d) The company had faced extreme difficulties due to warring differences among the management. However, the company had settled the payments

to around 20769 number of investors who constitute about 75% of the total investors out of total number of investors of 27,383. The persons who settled the amount with the company had returned the original certificates.

(ii) Reply from Noticee Nos. 2 and 3 dated May 11, 2017

- (a) We were made Directors of the Company on 26-02-2008 and continued to functions as such for about one and a half years. We had to resign from the Board of Directors on 6-6-2009 due to logjams in the functioning of the company as several pending disputes within the management and the restraining order dated 23.10.2008 from CLB Chennai. The copy of the resignation letters dated 6-5-2009 given by both of us to the company which was accepted by the Company in the Board Resolution on 14-5-2009, along with form No. DIR 12 filed in ROC is enclosed.
- (b) We do not have access to the records of SPL to comment about the authentic status of settlement of amounts with the investors. However, during our short tenure, we have vigorously pursued with the Company and got settled claims from investors who approached the company.
- (c) Several differences arose between the four brothers of Sanghi Group in and around the year 2005 and resulted in disputes and filing of various cases by and against each other before CLB and other fora pending since the year 2008.
- (d) Our hands were tied in so far as the compliance with SEBI Act and the Collective Investment Scheme Regulations are concerned in view of CLB order dated 23-10-2008, and in view of the disputes within the management.

(iii) Reply from Noticee No. 4 on behalf of Noticee No. 1 dated March 31, 2016

- (a) We humbly request time of 4 weeks to give detailed reply as we have to collate the particulars for the reason that on account of interse disputes between the directors of the Sanghi Group of Companies who are none other than the brothers and family related members. Various cases were filed in different courts by the directors against each other and because of that staff concerned to look after the affairs of the group company and this company has left and very little staff who are present has taken sides in favour of different directors of the company as per their choice or acted according to the instructions of their respective choice of directors and thereby various

particulars could not be traced and we are putting all our efforts to collect the information.

- (b) The correspondence made to the company which was received was deliberately suppressed or withheld by some staff and was not communicated in time to the concerned management to cause hardship and harassment which was detrimental to the interest of the person/ directors of the company taking care of the management.

(iv) Reply from Noticee No. 5 dated March 21, 2016

- (a) I was appointed as Additional Director (Independent & Non Executive) on 26/06/2008 (A copy of the letter is enclosed herewith) and regularized as Director in Annual General Meeting held dated 30.09.2008 for the year 2007-08. I have tendered my resignation on 11.03.2014 vide a letter dated 11.03.2014 requesting to relieve me from the Directorship of the Company and requested company to file Form 32 with the Registrar of the Companies, Hyderabad. The said resignation letter was submitted with the management of the company vide Registered Post with Acknowledgement Due and a copy of the same was also submitted with the company by hand which was duly acknowledged by the Company. Copies of Acknowledgements are enclosed herewith.

- (b) The company has not filed Form 32 with the Registrar of Companies for any resignation inspite of several oral requests and reminders.

- (c) Unless the Articles of Association of the Company concerned contain any specific provision about acceptance of resignation by the Board of Directors of the company, the resignation from Directorship takes effect immediately i.e. from the date of the resignation letter.

The Madras High Court in T Murrai vs. State of Tamilnadu (1976) held that
“In the absence of a provision in respect of resignation under the Act or Articles of Association of the Company, the resignation tendered by a Director unequivocally in writing will take effect from date and time when such resignation is tendered.”

- (d) A director who is appointed after an occurrence of an event would not be liable for anything that happened previously and vice versa. Further the events for which the show cause notice was issued are prior to my date of appointment.

(e) My tenure as Director in the Company may be recorded as from the Date of Appointment i.e. 26.02.2008 to 11.03.2014 (Date of Registration). I further submit that I was an independent & Non -Executive Director on the Board and not responsible or vested with the powers or duties of day to day operations or management of the Company.

(f) The Company stated vide its letter dated 23rd July, 2005 to your Hon'ble Office that

"The company had launched only one scheme of nurturing the saplings on behalf of the customers. The company stopped accepting money since 1992. The company had never collected any other amount in any other schemes.

(g) It is very much evident that, the said Teak Plantation Scheme was under operation till the year 1992, i.e. the event was occurred much before I was inducted as Director of the Company.

5. I note, from the copy of the CLB Order dated October 23, 2008 submitted to SEBI by the noticees, the following direction of CLB:

"Therefore with a view to ensure amicable solution for the disputes and in the paramount interest of Sanghi Group of Companies, it is hereby directed that (a) both parties shall maintain the present status quo in regard their shareholding and also fixed assets of all companies in Sanghi Group of Companies until further orders; and (b) any transfer of shares in Sanghi Group of Companies by either parties, in the interregnum period, would be null and void. Liberty to apply."

6. An opportunity of hearing was granted to the company and its directors on September 15, 2016 which was subsequently adjourned. Another opportunity of hearing has been given to the company and its directors on May 17, 2017. The hearing notice was delivered to the company and its directors by way of SPAD, affixture and paper publication. Affixture of the hearing notice was done on April 15, 2017 and newspaper publication was done on April 26, 2017.

7. On the date fixed for grant of personal hearing to the noticees, representatives of Noticee Nos. 1, 2 and 3 appeared. Advocate R. Sridhar Reddy appeared for the noticee company and Advocate A. Chakravarthy appeared for the noticee directors Nos. 2 and 3.

(i) Representative for the company submitted as follows:

(a) The company is willing to refund money to investors of its plantation scheme. However an order of the CLB in 2008 prohibits sale of shares or

fixed assets of any company in the Sanghi group of companies. Further proceedings could not take place due to the absence of the Presiding Officer of CLB and subsequent statutory substitution of CLB with the National Company Law Tribunal (NCLT).

- (b) To a query from SEBI, the representative clarified that there were no other regulatory action pending against the company.
- (c) The company has already repaid approximately 75% of the investors. The representative agreed to submit a list of investors to whom money was repaid along with details thereof, and an independent auditor's certification with regard to repayment. The representative also agreed to submit details of audited balance sheets and other financial statements of the company.
- (d) The representative undertook to submit the aforesaid information within a period of 4 weeks.

(ii) Representative for the noticees Nos. 2 and 3 submitted as follows:

- (a) The two persons were directors only for a brief period of 1 and half years. During the period of their directorship there was no mobilization of money and instead only expenditure on maintenance of the plantation.
- (b) Currently the said two persons do not have any relationship with the company except as shareholders.

8. By way of a reminder to the representatives who had assured to submit certain information to SEBI, an email dated May 26, 2017 was sent to the representatives, seeking the following information-

- i.) Names of current directors of the company.
- ii.) Whether Mr. Reddy was representing only the company or the directors as well.
- iii.) Copy of latest audited balance sheet of the company.
- iv.) Details of any action by other law enforcement agency including state government in relation to the money mobilized by the company from investors.
- v.) List of all the assets of the company with their estimated valuation.
- vi.) Details of investors of the company in the following format(paid and unpaid):

name of Investor	Address and contact no., e-mail of the Inves	Unique registration no. of the complainant as given by the compan	Investment	Maturity	Invested	Amount/ Amount Promised	Amount Paid	Amount of Payment	Mode of Payment

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vii.) *Certificate from independent auditor certifying the payments made by you”*

9. On July 16, 2017, Noticee No. 1 sought further time of 4 weeks to submit the relevant information on the ground that *"... obtaining, compilation and preparation of the details of investors who were paid money balance sheets , obtaining estimated value of assets and the CLB proceedings are yet to be finalized and completed"*. Subsequently email dated August 31, 2017 was received from Noticee No. 1 again seeking another 4 weeks time to submit the information on the ground that *" the compilation of payments made by the investors are voluminous of about 50 books containing information of about 50 to 100 investors and to make ready it is taking time"*. Till date, the noticees have not provided the information they had committed to submit. No further communication has also been forthcoming from the noticees.

10. I am satisfied that the Noticees were given sufficient opportunities to make their written and oral submissions on the merits of the matter but they failed to utilise the same. The repeated requests for extension in time for submissions of replies appear to be made merely to delay conclusion of the quasi-judicial proceedings. In the absence of any reply on merits, I am convinced that the matter may be disposed off based on available records.

11. The primary issue for consideration in this Order is whether the Scheme constitutes a Collective Investment Scheme as defined in Section 11AA of the SEBI Act and if so, who are the persons liable for directions for refund. Section 11AA of the SEBI Act, 1992 which provides for the conditions to determine whether a Scheme or Arrangement is a Collective Investment Scheme reads as under:
 - "(1) Any scheme or arrangement which satisfies the conditions referred to in sub section (2) shall be a collective investment scheme.*

 - (2) Any scheme or arrangement made or offered by any company 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.'*

12. The plantation scheme of SPL is examined in the context of the criteria laid down in the aforementioned Section 11AA(2) of the SEBI Act as under:

- (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;**

As borne out by the records stated earlier in this Order the Scheme had raised a sum of ₹ 4,17,05,000/- from 27,383 investors. An examination of the 'Teak Sapling Sale certificate' issued by SPL to investors in the plantation scheme states that money was received from the investors as consideration for the purpose of selling and thereafter fostering and nurturing of Teak Tree Saplings. I am in agreement with the allegation in the SCN that the number of investors are indicative of the fact that the invitation to subscribe to the plantation scheme was given to the public. The certificates issued by SPL also make it amply clear that the monies collected or pooled by it were for the for the purpose of the teak plantation scheme. Therefore I agree with the prima facie conclusion in the SCN that the scheme of SPL satisfies the first condition stipulated in Section 11AA(2) of SEBI Act.

- (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.**

Clause no. 2 of the terms and conditions of the plantation scheme that the scheme envisaged careful selection of saplings of premium grade teak and planted and nurtured by the latest techniques to fully grown trees of high commercial value capable of yielding good returns. Clause 7 of the terms and condition of the plantation scheme state that SPL would plant a teak tree sapling in the company's plantation for the holder (i.e investor) and nurture its growth for 20 years and deliver it to the holder. Further, clause no.18 of the said scheme states that at the end of the tenure the receipt

holder (i.e investor) shall exercise his choice of either the tree or its realisable sale proceeds. Clause no. 19 of the plantation scheme states that if the investor opts for the teak tree, the Company would, on payment of labour charges, arrange for the tree to be cut and delivered to the receipt holder (i.e investor) who however, would be responsible for transportation. Clause 20 of the scheme states that if the investor opts for the realisable proceeds, the Company will make the payment of the amount by cheque.

The aforesaid terms make it amply clear that that the contributions or investments are made by the investors/purchasers with a view to produce/receive the property/income from such scheme or arrangement. Therefore I am of the view that the scheme of SPL prima facie satisfies the second condition stipulated in Section 11AA(2) of SEBI Act.

- (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.**

The 'Teak Sapling Sale certificate' issued by SPL states that the company received the mentioned sum as consideration for selling and thereafter fostering and nurturing for the holder of the sale certificate teak tree saplings which indicates that the company had taken the responsibility of managing the property on behalf of investors. Clause no. 7 of the scheme states that SPL would plant a sapling of teak tree in the Company's plantations for the holder of the receipt (i.e the investor) and nurture its growth for a period of 20 years and deliver the tree to the receipt holder. Clause no.12 in the terms and conditions of scheme, inter-alia, specifies that '*...the entire control and management of the tree and the plantation shall be that of the company*'. Clause no. 18 states that at the end of the scheme period i.e. 20 years, the receipt holder shall present the receipt of the company and exercise his choice of either the tree or its realisable sale proceeds. It is amply clear from the above that management of the property of the plantation scheme, whether identifiable or not, vested with the SPL and that the investors did not have any role in the day-to-day management of the Scheme. Therefore I agree with the prima facie conclusion in the SCN

that the plantation scheme of SPL satisfies the third and fourth conditions stipulated in Section 11AA(2) of SEBI Act.

13. Extracts of other provisions of securities law quoted in the SCN and relevant for the purpose of this Order are reproduced hereunder:

(i) Section 12(1B) of the SEBI Act, 1992 -

"No person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations:

Provided that any person sponsoring or causing to be sponsored, carrying or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (d) of sub-section (2) of section 30.]

[Explanation-] "

(ii) Regulation 5 (1) of the SEBI (Collective Investment Schemes) Regulations ("**CIS Regulations**") -

"5. (1) Any person who immediately prior to the commencement of these regulations was operating a scheme, shall subject to the provisions of Chapter IX of these regulations make an application to the Board for the grant of a certificate within a period of two months from such date."

(iii) Regulation 68(1) and (2) of the CIS Regulations -

"68. (1) Any person who has been operating a collective investment scheme at the time of commencement of these regulations shall be deemed to be an existing collective investment scheme and shall also comply with the provisions of this Chapter.

Explanation : The expression 'operating a collective investment scheme' shall include carrying out the obligations undertaken in the various documents entered into with the investors who have subscribed to the scheme.

(2) An existing collective investment scheme shall make an application to the Board in the manner specified in regulation 5."

(iv) Regulation 73 of the CIS Regulations -

73. (1) An existing collective investment scheme which:

(a) has failed to make an application for registration to the Board; or

(b) has not been granted provisional registration by the Board; or

(c) having obtained provisional registration fails to comply with the provisions of regulation 71;

shall wind up the existing scheme.

....."

- 14.** The menace caused by fraudulent activities undertaken by Plantation schemes constituted the very basis of framing of the CIS Regulations. The history in relation to collective investment schemes and specifically the role of teak plantation schemes that lead to the formulation of the legal framework is well documented. The SEBI order dated August 22, 2014 against PACL provides details of how the law evolved. In order to protect the interest of the investors and to ensure that only legitimate investment activities were carried on, the Government of India communicated its decision, by way of press release dated November 18, 1997, that schemes through which instruments such as agro bonds, plantation bonds, etc., 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. Thereafter, several press releases and newspaper advertisements/notices were issued by SEBI from time to time in leading newspapers, bringing to the notice of investors and the persons concerned, the various instructions issued by SEBI/ Central Government 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, and are subject to the jurisdiction of the SEBI Act. The Dave Committee which was constituted to advise on framing of regulations also submitted its report in the light of the activities of plantation schemes in the country. The Scheme under consideration in this Order is admittedly a teak plantation scheme and has all the hallmarks of similar schemes which lead to the creation of the legal framework dealing with collective investment schemes.
- 15.** I note that the noticees have not contested the allegations of SPL having carried out a collective investment scheme without registration under the SEBI Act. After examining the documents and submissions on record, I am of the opinion, that the noticees have violated Section 12(1B) of the SEBI Act, 1992 and regulation 5(1) read with regulations 68 and 73 of the CIS Regulations.
- 16.** Despite having repeatedly granted extensions in time for submitting information regarding refund of investors, the noticees have not provided any conclusive information regarding the same. Under these circumstances, I consider it appropriate, in the interest of investors, to dispose the matter off based on available records. The argument that refund of money is currently not feasible due to the directions of the CLB is at best a weak excuse for not complying with its statutory

obligations under the SEBI Act and CIS Regulations. The noticee company has admitted to having refunded several of the investors. These purported refunds have not been demonstrated to SEBI as necessarily flowing from liquidation of its fixed assets. Infact if the admission of the noticees' representative were to be accepted, it would mean that refunds were possibly taking place even after the CLB order. The scheme per se was illegal under the SEBI Act and CIS Regulations thereby entitling the investors to repayment of their monies. By hiding behind the judicial intervention arising out of conflict within the Sanghi group, the noticees are attempting to merely shift the onus of satisfying investor dues at the doorsteps of the CLB/NCLT. During the course of the personal hearing it was pointed out to the representatives of the noticees that they must take suitable steps to appraise the CLB/NCLT of the need to refund investors or ensure repayment to the investors from other sources. No subsequent submissions on this issue have been made before me. Refund of illegally raised money back to the investors and ceasing to continue with any other activity in relation to the illegal scheme is central to "winding up" of the scheme. Sale of assets is only incidental. Therefore I do not find any merit in the noticees' argument that they are unable to make refunds because of the CLB order.

17. Noticee Nos. 2 and 3 have contended that they were directors only between February 26, 2008 and June 06, 2009 i.e. for around 16 months and that they were now not in a position to ensure refunds to investors. Noticee No. 5 claims he was on the Board of the company only from June 26, 2008 till March 11, 2014. He further submitted that he was an independent & Non -Executive Director on the Board and not responsible or vested with the powers or duties of day to day operations or management of the Company. I note that the aforesaid noticees were directors after the alleged period of money raising. These directors therefore had a role in ensuring that the scheme was wound up. The responsibility of ensuring compliance with law including the SEBI Act and CIS Regulations is an integral part of a director's functioning. The noticee directors have not even placed before me anything that evidences an effort to ensure complete winding up of the illegal scheme and repayment to investors. It is all the more disconcerting that these noticees agreed to function on the board of the company much after the menace of illegal money raising by plantation schemes was well publicised in the media and it was well known that the Central /State Governments and SEBI had made special

efforts to clamp down on such schemes and advise the public from making investments in such schemes. Therefore these noticee directors cannot now claim lack of knowledge of responsibility. I also note that noticee No. 6 has not made any specific submission before SEBI in relation to the SCN which was issued to him as well.

DIRECTIONS

18. In view of the above, in the interest of investors and the securities market, I, in exercise of the powers conferred upon me under Sections 11(1), 11B and 11(4) thereof and regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999, hereby issue the following directions:

(i) Sanghi Plantations Ltd. and the noticee directors namely, Siddharth Sanghi, Amit Sanghi, Kodhaty Chandrasekhar Rao, Seshadri Upadhyayula, Benda Ram Narayan are jointly and severally liable to wind up the existing collective investment schemes and refund the money collected by it under the schemes with returns which are due to the investors as per the terms of offer within a period of three months from the date of this order. The refund shall be made through 'Bank Demand Draft' or 'Pay Order'.

(ii) Upon completion of the refund as directed above, within a further period of seven days, the Noticee company and the present directors namely, Kodhaty Chandrasekhar Rao and Benda Ram Narayan shall submit a winding up and repayment report (WRR) to SEBI in accordance with the CIS regulations. The WRR shall be supported by the proof of the trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refunds along with a certification of such repayment from two independent Chartered Accountants.

(iii) In the event of failure by the Noticees to comply with the directions at sub-paragraphs (i) and (ii) above, SEBI shall initiate recovery proceedings under the SEBI Act against the Noticees.

(iv) The Noticees shall not alienate or dispose off or sell any of the assets of Sanghi Plantations Ltd. except for the purpose of making refunds to its investors as directed above.

(v) The Noticees shall, with immediate effect, be restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities market, directly or indirectly, till the directions for refund/repayment to investors are complied with, as directed at sub-paragraph (i) above to the satisfaction of SEBI and WRR is submitted to SEBI and for a further period of four years from the date of completion of the refund, as directed above.

(vi) The noticee directors i.e. Siddharth Sanghi, Amit Sanghi, Kodhaty Chandrasekhar Rao, Seshadri Upadhyayula, Benda Ram Narayan shall be restrained from holding position as directors or key managerial personnel of any listed company for a period of 4 years from the date of this Order.

19. A copy of this Order shall be forwarded to -

- (i) all the recognised stock exchanges and registered depositories for necessary compliance with the above directions; and
- (ii) the Ministry of Corporate Affairs for information.

DATE: October 17, 2017

PLACE: Mumbai

G. MAHALINGAM

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA