

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

FINAL ORDER

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

In the matter of Paramount Biotech Industries Limited

In re Collective Investment Schemes

In respect of:

S.No.	Name of the Entity	PAN	CIN/DIN
1.	Paramount Biotech Industries Limited	AACCP1163C	U24231DL1996PLC082959
2.	Mr. Girish Chandra Gupta	AIMPG6205H	00273787
3.	Ms. Mamta Sinha	Not available	00177974
4.	Mr. Satyendra Mohan Chandra	Not available	Not available
5.	Ms. Pushpa Gupta	40A, Mount Kailash, East of Kailash, New Delhi – 110065	02698562
6.	Major Gen. Baldev Raj Varma (Retd.)	AAHPV4890N	Not available
7.	Ms. Bhawani Srivastava	BMHPS8135C	02833999
8.	Ms. Meena Gupta	Not available	02144456

CASE FACTS

1. Paramount Biotech Industries Limited (“hereinafter referred to as “**the Company/Paramount**”) is a public company incorporated on October 29, 1996 and is registered at Registrar of Companies, Delhi (RoC-Delhi). Vide Order dated January 28, 2005, passed by Chairman, SEBI under section 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**the SEBI Act**”) read with regulation 65 of the

Order in the matter of Paramount Biotech Industries Limited

Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as “**the CIS Regulations**”), directions were issued to Paramount to refund the money collected under the schemes of the Company along with returns due to the investors as per the terms of the offer, within a period of one month from the date of the order.

2. The aforesaid Order further restrained the Company from collecting any money from investors as well as from launching any new schemes and specified that in the event of its failure to comply, SEBI may initiate actions as deemed fit, as available under the SEBI Act and the CIS Regulations.
3. Pursuant to the said Order dated January 28, 2005, the Company filed an appeal bearing no. 74 of 2005 before the Hon’ble Securities Appellate Tribunal (hereinafter referred to as “**SAT**”). SAT vide order dated February 23, 2006 dismissed the said Appeal as withdrawn and noted *inter alia*, that:
 - a. An amount of Rs. 4 lakh was outstanding to the investors under its collective hybrid hi-tech agro farming/plantation projects.
 - b. The Company was finding it difficult to repay the said amount as it did not have the investors’ latest/complete addresses.
 - c. The Company undertook to refund the amount to the investors with 10% interest and to issue a public notice to that effect in a newspaper with wide circulation for the benefit of the concerned investors.
4. Thereafter, vide letter dated March 23, 2006, SEBI advised the Company to, *inter alia*, comply with the order dated January 28, 2005 and was further advised:
 - a. on the requirement of filing a Winding Up and Repayment Report (WRR) in the prescribed format with SEBI,
 - b. that on receipt of the said WRR, SEBI reserved the right to verify the submissions regarding repayment by means of an independent audit conducted by SEBI appointed auditors at the company’s expense,
 - c. to confirm compliance with the undertaking furnished before the Hon’ble SAT and to furnish documentary evidence in this regard.
5. Subsequent to the aforesaid letter, the Company filed a Review Petition before the Hon’ble SAT seeking modification of the earlier order dated February 23, 2006 to the extent that the

Company may be allowed to deposit the amount of Rs. 4 lakh with SEBI such that the same may be disbursed by SEBI to the investors, as and when they become available. Hon'ble SAT vide order dated April 28, 2006 dismissed the said request stating that SEBI has no provisions to maintain such funds and directed the Company to deposit the total amount due to the unclaimed investors, in a nationalized Bank and the said amount would be withdrawn only for the purpose of making payment to them, under the intimation of SEBI. Paramount was also directed to furnish a six-monthly audit statement prepared by their auditors to SEBI as long as the amount remained deposited with the Bank.

Prima facie allegations:

6. Vide letter dated May 23, 2006, Paramount submitted a WRR in the prescribed format and further intimated SEBI regarding the account opened with the Oriental Bank of Commerce, in compliance with the order of Hon'ble SAT. On perusal of the said WRR, certain discrepancies were noted which were communicated to the Company vide letter dated July 3, 2006, and clarifications were sought regarding the same. Further, the requirement of an independent audit by auditors appointed by SEBI, to verify the submissions regarding the repayments, at the company's expense was reiterated vide the said letter.
7. Vide letter dated August 11, 2006, the Company submitted certain clarifications to SEBI, and a revised WRR dated August 30, 2006 was submitted. As per the revised WRR, approximately Rs. 3.08 crores was stated to have been repaid to 1,868 investors against the mobilization of Rs. 2.52 crores from 1,928 investors. Further the amount of approximately Rs. 10 lakh was shown as pending for repayment to 60 investors.
8. Vide letters dated September 27, 2006 and November 15, 2006, Paramount was intimated, *inter alia*, of the requirement of an independent audit. Vide letter dated February 7, 2007 the Company was informed of the appointment of M/s. Kumar Sharma & Company as independent auditors to verify the claims regarding repayment contained in the WRR dated August 30, 2006. Paramount vide letter dated February 14, 2007 requested for time of one week prior to the commencement of the audit, which was acceded to vide letter dated February 19, 2007.
9. Thereafter, vide letter dated February 20, 2007, Paramount stated that a hearing before the Chairman, SEBI was pending. Vide the said letter the Company sought further time for compiling information sought by SEBI-appointed auditors and requested that the audit be conducted in April 2007, or after the hearing before Chairman, SEBI.

10. SEBI vide letter dated February 20, 2007 advised Paramount to cooperate with the auditors and to make necessary arrangements for provision of information by March 1, 2007. Further, the Company was informed, *inter alia*, that no information was available regarding any request for a hearing before the Chairman, SEBI and that the audit proceedings were independent in nature and would not affect any concurrent submissions which the Company would choose to make before the Chairman.
11. Vide letter dated March 5, 2007, the Company submitted that certain records were shown to the independent auditor during his pre-audit visit to the office and that since the information required by the auditor needed to be organized, the audit exercise would start from March 19, 2007. Thereafter, SEBI received a copy of a letter dated April 3, 2007, addressed by the Company to the independent auditor wherein it was stated that the details required by the auditor in the specified format were under preparation and that the same would be ready by the first week of May 2007.
12. Vide another letter dated June 22, 2007, copy of which was received by SEBI, the Company informed the independent auditor that since the format in which the Company was maintaining the information was different from the format of information required by the auditor, the process was consuming a lot of time and would be forwarded to them once it was compiled.
13. Vide letter dated August 8, 2007, the Company stated that the information sought by the SEBI-appointed auditors in the desired format was ready and that the Company was in the process of checking typographical/calculation errors. It was also stated that SEBI appointed auditors would be resuming the 'balance' audit assignment w.e.f. August 27, 2007.
14. Thereafter, vide letter dated September 15, 2007, the independent auditors forwarded a copy of a letter dated August 29, 2007 send by the Company to the auditors, wherein it is noted that additional time till September 30, 2007 has been granted by the auditors to the Company to file requisite information.
15. Vide letter dated September 20, 2007, SEBI issued a letter to the Company informing that the audit process had been delayed due to repeated requests for additional time to prepare/furnish the requisite information for the purpose of audit. Further, the Company was advised that no further requests for extension of time would be acceded to and that all relevant information/documents would have to be produced/submitted to the auditors on September 30,

2007, failing which SEBI would be constrained to draw adverse inference and the matter would be proceeded accordingly.

16. Vide letter dated October 1, 2007, the Company submitted *inter alia*, that the process of reconciliation of details is a cumbersome task and that compilation of investor information for the past 10 years was hampering the routine work of the Company. Vide letter dated November 2, 2007, SEBI informed the Company that since the audit process has been delayed considerably, a meeting was scheduled on November 28, 2007 to facilitate the resolution of the same. During the said meeting the Company stated, *inter alia*, that it had already complied with the Order of SEBI dated January 28, 2005 and the Order of Hon'ble SAT dated February 23, 2006, and reiterated that the information required to be furnished to the independent auditors in the prescribed format was too old, detailed and cumbersome to be compiled within the prescribed time frame.
17. It was stated vide a written submission dated November 28, 2007, *inter alia*, that the Chairman, SEBI, vide order dated January 28, 2005, had already exercised the powers conferred upon him under section 11B and 11(4) of the SEBI Act, read with the CIS Regulations. It was also stated that the Order of the Hon'ble SAT dated February 23, 2006 and April 28, 2006 have also been complied with. Therefore, it was submitted that there remained no further reason for SEBI to take action for non-compliance of the CIS Regulations including regulations 73(9) and 74 of the CIS Regulations. It was also requested that the independent auditors may be directed to ask only for information that was readily available with Paramount.
18. Thereafter, SEBI vide letter dated January 24, 2008, advised Paramount to extend full cooperation to the independent auditors and provide all available documents for their perusal, and that the auditors would conduct the audit on the basis of whatever information provided by the Company. The Company was also advised to confirm the aforesaid. However, no reply was received from the Company and a reminder dated February 12, 2008 was issued in this regard.
19. Vide letter dated March 11, 2008, Paramount requested, *inter alia*, that legal opinion be obtained by SEBI regarding the issue as to whether SEBI could take any further action against the Company under section 11B and 11(4) of the SEBI for the violation of CIS Regulations. Vide letter dated March 26, 2008, the Company was informed that notwithstanding the aforesaid request, the process of independent audit was being recommenced and the auditors were advised to submit a report in respect of the findings of the audit within a period of five

weeks. The Company was also advised to extend full cooperation to the auditors and make available all relevant documents for their perusal.

20. Vide letters dated April 8, 2008 and November 11, 2008, the Company once again reiterated its earlier submissions regarding SEBI's right to conduct independent audit for verifying the WRR submitted by the Company pursuant to the Order of Hon'ble SAT dated April 28, 2006. Vide letter dated October 20, 2008 and November 25, 2008, the Company was informed that SEBI had the power under section 11(2)(i) of the SEBI Act, to conduct an independent audit. It was also advised, *inter alia*, that any non-cooperation by Paramount would be viewed seriously and would make the Company liable for further appropriate action under the relevant provisions of SEBI Act, including adjudication proceedings under Chapter VIA and/or appropriate direction under section 11(4) and 11B of the SEBI Act. Further, vide letter dated November 25, 2008, the Company was advised to inform SEBI as to any change in its stand consequent to the above clarification regarding the interpretation of section 11(2) of the SEBI Act.
21. Vide letter dated December 8, 2008, Paramount stated, *inter alia*, that its stand on the issue of the power of SEBI to conduct independent audit remained unchanged. It was noted that Paramount was employing dilatory tactics to avoid the process of independent audit. In view of the continued non-cooperation on the issue of independent audit, the claims of repayment, in compliance with the Order of SEBI dated January 28, 2005 and the Orders of Hon'ble SAT dated February 23, 2006 and April 28, 2006, could not be verified. Further, the conduct of the Company was obstructing SEBI from discharging its duties as securities market regulator.
22. In view of the above, the Company was called upon to show cause as to why appropriate action under the provisions of SEBI Act, including issuing directions under section 11(4)(b) read with section 11B of the SEBI Act, and regulation 65 of the CIS Regulations should not be initiated. The Company was provided 15 days from the date of receipt of the show cause notice (SCN) to file its reply, failing which the matter would be proceeded on the basis of the material available on record.
23. Pursuant to the said SCN dated August 3, 2010, Paramount vide letters dated August 10, 2010 and October 15, 2010 expressed its willingness to subject itself to an independent audit for the verification of the repayments made to the investors and of the authenticity of the WRR submitted to SEBI. Thereafter, SEBI appointed M/s. N.D. Kapur & Co. as an independent auditor on February 18, 2013 to verify the aforesaid.

24. In continuation of the SCN dated August 3, 2010, vide SCN dated May 15, 2015 issued to Paramount, Mr. Girish Chandra Gupta, Ms. Mamta Sinha, Mr. Satyendra Mohan Chandra, Major General Baldev Raj Varma (Retd.) and Ms. Pushpa Gupta, and vide SCN dated June 9, 2015 issued to Ms. Bhawani Srivastava and Ms. Meena Gupta, SEBI made the following prima facie allegations:

Area of Audit	Auditor's Observation
To verify the authenticity of the winding up and repayment report	a) The auditor has been unable to establish as to which investors/folios received payment of Rs. 26.94 lakh out of the total repayment of Rs. 293.271 lakh due under the Collective Hybrid Hi-tech Agro Plantation Scheme of the Company, as the Company failed to provide details of investors to whom these payments were made. b) For Paramount Orchards & Farms scheme, the auditor has been unable to establish as to which investors/folios received payment of Rs. 6.87 lakh out of the total repayment of Rs. 14.34 lakh due under the said scheme. Accordingly, the authenticity of the WRR regarding repayments cannot be determined based on the report and submissions of the Company to the auditor.
To verify whether the repayments have been made along with the promised returns as per the original offer, as directed vide SEBI's order under section 11B of the SEBI Act, 1992 and the sources thereof	a) The auditor has stated that several discrepancies were observed with respect to payments made to the investors. According to data provided by the auditor, the company had made excess payment to 129 investors while short payment was made to 1169 investors. b) For Paramount Orchards & Farms scheme, the Company failed to provide the detailed calculation of promised returns.
To examine and verify the terms of the original offer in the event of premature	a) As submitted by the auditor, the Company failed to provide terms/policies with respect to premature withdrawals. The Company had reported only two cases of premature withdrawals. However, supporting documents such as

withdrawal of investments by investors	application form for the premature withdrawal were not available with the Company. b) Further, for these two instances, the Company had claimed to refund Rs. 25,000 to Shudha Aggarwal and Rs. 9800 to Ajit Tiwari. However, the auditor could verify repayment of only Rs. 22000 to Shudha Aggarwal and payment to Ajit Tiwari could not be verified by the auditor.
To verify and check whether the process concluded prior to the order under section 11B of the SEBI Act, 1992 or completed subsequently.	As noted by the auditor, the process of repayment to investors by the Company was not concluded prior to SEBI order dated January 28, 2005. Further, as noted by the auditor, the process of repayment to investors was not concluded even subsequent to the SEBI Order.
To verify whether the CIS have been wound up or whether the company continues to mobilize fresh funds	As per the comments from auditor, the auditor has stated that the company has not repaid the entire amount collected by it under its Collective Investment Schemes till date.

In view of the aforesaid, the collective investment schemes were not concluded as wound up and the Company had failed to comply with the directions issued by the Chairman, SEBI vide order dated January 28, 2005.

Service of Show Cause Notice:

25. SCN dated August 3, 2010 and its continuation dated May 15, 2015 were delivered vide Speed Post to Paramount, Mr. Satyendra Mohan Chandra and Major General Baldev Raj Varma (Retd.). SCN dated August 3, 2010 and May 15, 2015 was served through hand delivery to Mr. Girish Chandra Gupta. SCNs dated August 3, 2010 and its continuation dated June 9, 2015 could not be served on Ms. Meena Gupta and Ms. Bhawani Srivastava. Therefore, the same were served through public notification dated May 17, 2016 in the newspapers *Amar Ujala* and *The Times of India*. SCN dated August 3, 2010 and its continuation dated May 15, 2015 could not be served on Ms. Pushpa Gupta and Ms. Mamta Sinha. Therefore the same were served through public notification dated May 18, 2016 in the newspapers *Dainik Jagran* and *Hindustan Times*.

26. Vide letter dated May 29, 2015, Major General Baldev Raj Varma (Retd.) submitted, *inter alia*, that

- a. Vide reply dated August 10, 2010 in response to the SCN dated August 3, 2010, the Noticee had stated that he resigned from the Company in 1997 and was not in a position to furnish the details required by SEBI.
- b. Copy of the resignation letter dated December 21, 1997 addressed to Paramount, and received by the Company on December 22, 1997 under the Company seal, was provided.
- c. He had joined Paramount in response to their newspaper advertisement wherein they wanted to hire the services of a Counsellor, and during the personal interaction, he was offered the role of a Director of the Company which he accepted. However, the appointment as a director did not involve any shareholding in the Company.
- d. As a Director, the Noticee generally assisted the Company in its daily functioning and routine matters, and he had no role to play with regard to the investment schemes, issuance of bonds, repayment of maturity amount, etc.

27. Vide reply dated June 5, 2015, Ms. Shanti Saxena, wife of Mr. Satyendra Mohan Chandra, submitted that her husband had passed away on April 25, 1999 and enclosed a copy of the death certificate.

28. Vide replies dated May 19, 2015, November 20, 2015, and May 18, 2016, Paramount forwarded certificates of auditor and copies of bank statement for the period of November 1, 2014 to April 30, 2015, May 1, 2015 to October 31, 2015, and November 1, 2015 to April 30, 2016, respectively, in compliance with the stipulations of the Order dated April 28, 2006 passed by the Hon'ble SAT. Vide reply dated April 9, 2016, Paramount submitted *inter alia*, the following:

- a. Paramount has not raised any deposits from public nor launched any investment schemes, since the notice received from SEBI in 1999. The same can be verified from the Company's balance sheets.

- b. As directed by the Hon'ble SAT, Paramount has been regularly filing the 6 monthly statutory auditor's certificate.
 - c. Paramount is maintaining Fixed Deposits with Oriental Bank of Commerce since the SEBI directives and had also published advertisements in national newspapers for those investors who were not traceable.
 - d. The Company has only agricultural income, and the Company's directors are not involved in any other CIS Schemes.
 - e. During the time when the company was carrying on its business (in the year 1996-1999) CIS was not in existence and was not defined.
 - f. SEBI is requested not to take any further action under section 11 and 11B of the SEBI Act and the CIS Regulations as no action is warranted.
29. Vide letters dated August 3, 2017, which were delivered to Paramount, Mr. Girish Chandra Gupta and Major General Baldev Raj Varma (Retd.), SEBI granted a personal hearing scheduled on November 6, 2017. Vide letter dated October 4, 2017, SEBI intimated that the personal hearing was rescheduled to November 8, 2017, and the said notice for personal hearing was delivered by way of Speed Post to Paramount, Mr. Girish Chandra Gupta and Major General Baldev Raj Varma (Retd.). The said notice was served by way of public notification to Mr. Satyendra Mohan Chandra (*Amar Ujala* and *Pioneer*), Ms. Meena Gupta (*Dainik Jagran* and *Pioneer*), Ms. Mamta Sinha (*Uttar Prahari*), Ms. Pushpa Gupta (*Hindustan* and *Hindustan Times*), and Ms. Bhawani Srivastava (*Dainik Jagran* and *Pioneer*).
30. Vide email dated November 6, 2017, Major General Baldev Raj Varma (Retd.) reiterated his earlier submissions made vide letters dated May 29, 2015 and August 10, 2010, and submitted that he would not be able to be present for the personal hearing. Vide separate email dated November 6, 2017, Major General Baldev Raj Varma (Retd.) made, *inter alia*, the following submissions:
- a. He had rendered his resignation on December 21, 1997 and provided a copy of the resignation letter. After his resignation, the Company should have removed his name from the list of directors.

- b. He had not unduly taken any money of investors and was offered a salary of Rs. 20,000/- per month for his services.
 - c. He had no role to play with respect to the investment schemes, marketing, issuance of bonds, repayment of maturity, etc. and had never seen the accounts of the Company, nor was a signatory in the accounts of the Company.
 - d. He reiterated that he would not be able to attend the personal hearing on November 8, 2017 as he was under medical treatment and was nearly 78 years of age. Therefore, he was unable to move around to a great extent.
31. Vide email dated November 2 and November 7, 2017, Paramount requested SEBI for an adjournment of the personal hearing with respect to itself and Mr. Girish Chandra Gupta. The said request for hearing was acceded to and personal hearing was rescheduled to December 21, 2017 with respect to Paramount and Mr. Girish Chandra Gupta.

Hearing and submissions:

32. Entities failed to appear for the hearing on November 8, 2017 and December 21, 2017. Entities also did not file any further written submission in this matter, other than the aforesaid replies. I have considered the allegations and materials available on record. On perusal of the same, the following issue arises for consideration.

Whether Paramount and its Directors have failed to comply with the directions of the SEBI Order dated January 28, 2005.

33. I have perused the SCNs dated August 3, 2010 and May 15, 2015 and June 9, 2015 sent to the Company and its directors. I have also perused the SEBI Order dated January 28, 2005, and other material brought on record, including the replies of the Noticees and filings made by the Company with the RoC.
34. I note that as per the SEBI Order dated January 28, 2005, it has been already determined that *“the businesses/schemes floated by Paramount fall squarely within the definition of Collective Investment Scheme as defined under Section 11AA of SEBI Act, 1992. Therefore, Paramount was required to comply with the provisions of the SEBI Act, 1992 and the SEBI (Collective Investment Schemes) Regulations, 1999.”*

35. Vide the aforesaid Order dated January 28, 2005, Paramount was directed to, *inter alia*, to refund the money collected under its schemes with returns which was due to the investors as per the terms of the offer, within a period of one month from the date of the order. It was further noted that in case of failure of the Company to comply with the aforesaid directions, SEBI may initiate actions in accordance with law.
36. I note that pursuant to this Order, Paramount filed an Appeal before the Hon'ble SAT, which was later dismissed as withdrawn and Order dated February 23, 2006 was passed by the Hon'ble SAT, recording *inter alia* that Paramount undertook to repay what they claimed was the outstanding amount of Rs. 4 lakh to the investors with 10% interest and to issue a public notice to that effect in a newspaper with wide circulation for the benefit of the concerned investors.
37. I note that vide letter dated March 23, 2006, SEBI advised the Company to, *inter alia*, comply with the order dated January 28, 2005 and file a WRR in that respect. The Company was also intimated of the power of SEBI to appoint an independent auditor to verify the claims made in the WRR. I note that Paramount filed a Review Petition bearing no. 1/74/2005 for the Order passed by the Hon'ble SAT on February 23, 2006. The Company therein sought modification of the said order to the extent that the Company may be allowed to deposit the amount of Rs. 4 lakh with SEBI such that the same may be disbursed by SEBI to the investors, as and when they become available. Hon'ble SAT dismissed the said request and directed the Company to deposit the amount in a nationalized Bank. Paramount was also directed to furnish a six-monthly audit statement prepared by their auditors to SEBI for as long as the amount remained deposited with the Bank.
38. I note that Paramount filed the WRR vide letter dated May 23, 2006 and further intimated SEBI regarding the account opened with the Oriental Bank of Commerce, in compliance with the order of Hon'ble SAT. On perusal of the same, certain discrepancies were noted which were communicated to the Company vide letter dated July 3, 2006, and clarifications were sought regarding the same. Further, the requirement of an independent audit by auditors appointed by SEBI, to verify the submissions regarding the repayments, at the company's expense was reiterated vide the said letter.
39. I note that vide letter dated August 11, 2006, Paramount submitted certain clarifications to SEBI, and a revised WRR dated August 30, 2006 was submitted. I note that vide letters dated September 27, 2006 and November 15, 2006, Paramount was intimated by SEBI, *inter alia*, of

the requirement of an independent audit. Vide letter dated February 7, 2007 the Company was informed of the appointment of M/s. Kumar Sharma & Company as independent auditors to verify the claims regarding repayment contained in the WRR dated August 30, 2006.

40. I note that since the aforesaid actions, Paramount did not cooperate with SEBI appointed auditor and indulged in a series of dilatory tactics to postpone the process of independent audit. The same have been tabulated as follows:

Date of communication	Brief Details of communication
February 14, 2007	Paramount requested for time of one week prior to the commencement of the audit. The same was acceded to by SEBI vide letter dated February 19, 2007.
February 20, 2007	Paramount stated that a hearing before the Chairman, SEBI was pending. Vide the said letter the Company sought further time for compiling information sought by SEBI-appointed auditors and requested that the audit be conducted in April 2007, or after the hearing before Chairman, SEBI. Paramount was advised to provide information to the independent auditors by March 1, 2007 and was intimated that no information was available regarding any request for a hearing before the Chairman, SEBI.
March 5, 2007	Paramount stated that certain records were shown to the independent auditor during a pre-audit visit to the office and the audit exercise would start from March 19, 2007.
April 3, 2007	Copy of letter marked to SEBI, wherein the Company addressed the independent auditors informing them that the details required by the auditor would be ready only by first week of May 2007.
June 22, 2007	Copy of letter marked to SEBI, wherein the Company addressed the independent auditors informing them that since the format in which the Company was maintaining the information was different from the format

Date of communication	Brief Details of communication
	of information required by the auditor, the process was consuming a lot of time and would be forwarded to them once it was compiled
August 8, 2007	Paramount informed SEBI that the information required to be produced before the auditors was ready and the Company was in the process of checking typographical/calculation errors. The 'balance' audit process would be resumed from August 27, 2007.
August 29, 2007	Copy of letter received by SEBI, wherein the independent auditors addressed Paramount, granting them additional time till September 30, 2007 to file requisite information. SEBI vide letter dated September 20, 2007, informed Paramount that no further requests for extension of time would be acceded to.
October 1, 2007	Paramount informed that the process of reconciliation of details and investor information for the past 10 years was a cumbersome task and was hampering the routine work of the Company. Vide letter dated November 2, 2007, SEBI scheduled a meeting with the Company on November 28, 2007, to address the issue of delay in the audit process. During the said meeting, Paramount stated <i>inter alia</i>, that the Company had already complied with the Order of SEBI dated January 28, 2005 and the Order of Hon'ble SAT dated February 23, 2006.
November 28, 2007	Paramount contended that since the Chairman, SEBI vide order dated January 28, 2005, had already exercised the powers conferred upon him under section 11B and 11(4) of the SEBI Act, read with the CIS Regulations and since the Company had already complied with the Order of Hon'ble SAT dated February 23, 2006 and April 28, 2006, therefore, no further action for non-compliance of CIS Regulations could be taken by SEBI. Further, SEBI was requested to direct the independent auditors to ask for information readily available with the Company. SEBI vide letter dated January 24, 2008 advised Paramount that the auditors would conduct the audit on the basis of whatever information

Date of communication	Brief Details of communication
	provided to them. No reply was received from the Company, and a reminder dated February 12, 2008 was issued to the Company.
March 11, 2008	Paramount requested, <i>inter alia</i>, that legal opinion be obtained by SEBI regarding the issue as to whether SEBI could take any further action against the Company under section 11B and 11(4) of the SEBI for the violation of CIS Regulations. SEBI replied vide letter dated March 26, 2008, that notwithstanding the aforesaid request, the process of independent audit was being recommenced and the auditors were advised to submit a report in this respect.
April 8, 2008 and November 11, 2008	The Company reiterated its earlier submissions regarding SEBI's power to conduct independent audit for verifying the WRR. Vide letter dated October 20, 2008 and November 25, 2008, the Company was informed that SEBI had the power under section 11(2)(i) of the SEBI Act, to conduct an independent audit.
December 8, 2008	Paramount stated, <i>inter alia</i> , that its stand on the issue of the power of SEBI to conduct independent audit remained unchanged

41. From the above, I find that the Company had no intention to allow the process of independent audit to commence in a timely manner, and through its non-cooperation including repeated requests for extension of time, has effectively delayed the commencement of the audit process. I am of the view that the aforesaid deliberate non-cooperation casts a serious doubt on the credibility of the repayments made by the Company and which made it even more necessary to conduct an independent audit process, within the powers of SEBI as demonstrated in paragraphs 47 and 48 of this Order.

42. Further, from the SCN dated May 15 and June 9, 2015, I note that the company has provided some details to auditor. However, this has still led to the conclusion that the auditor has been unable to establish repayments to identified investors/folios to the extent of Rs. 26.94 lakh

(with respect to the Collective Hybrid Hi-Tech Agro Plantation schemes) and to the extent of Rs. 6.87 lakh (with respect to the Paramount Orchards & Farms scheme).

43. I also note that the auditor has stated that Paramount has made excess payments of Rs. 12.465 lakh to 129 investors and short payments to 1169 investors of Collective Hybrid Hi-Tech Agro Plantation Schemes. I note from the auditor report that, for the Paramount Orchards & Farms Scheme, the Company has failed to provide the detailed calculation of the promised returns. In view of the convenience of investors, I am of the view that if the Company is unable to provide the terms of calculation of the promised returns with respect to the Paramount Orchards & Farms scheme, the Company may calculate the promised return at the rate of 15 per cent per annum from the date of investment.
44. I find that the auditor has submitted that Paramount has failed to provide the terms/policies for premature withdrawals and that it had reported only two cases of premature withdrawals, but failed to provide supporting documents. Further, I find from the auditor's submissions that although the Company had claimed a refund of Rs. 25,000 with respect to Shudha Aggarwal and a refund of Rs. 9800 with respect to Ajit Tiwari, the auditor could verify repayment of only Rs. 22,000 to Shudha and payment to Ajit could not be verified.
- a. In short, out of total repayment of Rs. 293.271 lakh made by Paramount, an amount of Rs. 26.94 lakh remain unidentified with respect to investors/folios, for the Collective Hybrid Hi-tech Agro Plantation scheme. Similarly for the Paramount Orchards and Farms Scheme, out of total repayment of Rs. 14.34 lakh, an amount of Rs. 6.87 lakh is unidentifiable.
 - b. For Paramount Orchards & Farms scheme, the Company failed to provide the detailed calculation of promised returns. In view of this, keeping in mind the convenience of the investors, if the Company is not able to provide the same, the Company may calculate the promised return at the rate of 15 per cent per annum from the date of investment.
 - c. Excess and short payments have been made to 129 and 1169 investors, respectively, and
 - d. unverifiable refunds have been claimed for premature withdrawals of investments to the extent of Rs. 12,800 (Rs. 3000 for Shudha Aggarwal and Rs. 9800 for Ajit Tiwari).
45. Therefore, I find that the Company had failed to conclude the process of repayment even after the SEBI Order dated January 28, 2005, and therefore, I find that the collective investment

schemes of the Company cannot be stated to have been wound up. In view of the same, I find that the Company has failed to comply with the directions issued by the Chairman, SEBI vide order dated January 28, 2005.

46. I note that Paramount, vide its replies dated November 28, 2007 and April 9, 2016, has stated that it had been complying with the Orders of Hon'ble SAT dated February 23, 2006 and April 28, 2006, and has been filing six monthly reports and the bank statements showing that it had deposited outstanding amount for repayment at Oriental Bank of Commerce, as directed by Hon'ble SAT. I also note that Paramount has contended vide its aforesaid replies that since the Company has already complied with the directions issued by Hon'ble SAT, SEBI had no further cause of action to take any action under sections 11 and 11B of the SEBI Act, for the violation of CIS Regulations. The Company, vide its letters dated March 11, 2008, requested SEBI to obtain legal opinion with regard to its power to conduct independent audit of the Company to verify the claims made in the WRR filed by the Company.
47. In this regard, I note that the present cause of action is the non-compliance with the Order of SEBI passed on January 28, 2005, wherein the Company was directed to wind up the collective investment schemes and to refund all the investors along with the promised returns. On perusal of the Orders of Hon'ble SAT dated February 23, 2006 and April 28, 2006, I note that there was no finding on the genuineness of all the claimed payments by the Company and the said Orders merely recorded the statement of the Counsel for the Company, *inter alia*, that an amount of Rs. 4 lakh was outstanding for repayment and the said amount was directed to be kept in a nationalized bank account, with periodic audit reports being submitted to SEBI in this regard. The present proceedings for non-compliance of directions is arising out of, *inter alia*, irregularities in payments to investors. Therefore, I am of the opinion that compliance with the aforesaid directions of the Hon'ble SAT, as has been submitted by the Company, in no way absolves the legal duty of the Company to comply with the directions passed by SEBI vide its order dated January 28, 2005. As per section 11B of the SEBI Act,

“Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary:

(i) in the interest of investors, or orderly development of securities market;

...

it may issue such directions,—

- (i) *to any person or class of persons ... associated with the securities market; or*
- (ii) *to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market*

I further note that as per section 11(1) of the SEBI Act, “it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit”. Section 11(2)(i) of the SEBI Act provides that:

“Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—

calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market...”

48. From the foregoing legal provisions, I am of the opinion that SEBI has the power to issue directions after an enquiry if it deems fit and has the power to take measures directing an entity to conduct independent audit. Therefore, the SEBI has taken the present course of action under section 11B read with section 11 of the SEBI Act, for the cause of action of alleged non-compliance with the order of January 28, 2005. In view of the above, I find no merit in the two submissions that SEBI did not have the power to conduct independent audit and that no further action under sections 11 and 11B of the SEBI Act was justified against the Company for the violation of CIS Regulations on the ground that it has already complied with the Orders dated February 23, and April 28, 2006 passed by the Hon’ble SAT.
49. I note from the reply dated April 9, 2016, that Paramount has submitted that the definition of collective investment scheme was not crystallized during the period of mobilization in 1996-1999 and that the Company has not mobilized any funds since 1999, after receiving the notices from SEBI. I note that the determination as to whether the schemes of the Company are in the nature of CIS has already been determined in the final order dated January 28, 2005 passed by SEBI and the said findings have attained finality. Since the said issue has been determined already, the only issue that is being considered in the present proceedings is on the point of subsequent non-compliance with the Order dated January 28, 2005 for which the noticees have been show caused.

50. I note that despite being informed vide letters dated October 20, 2008 and November 25, 2008, that SEBI had the power to conduct such audit under section 11(2)(i) of the SEBI Act, the Company continued to delay the process of audit.
51. Further, I note that the Company has filed replies dated May 19, 2015, November 20, 2015, and May 18, 2016 giving *inter alia* the details of the Fixed Deposit created in Oriental Bank of Commerce and 6 monthly audit report of the same, in compliance with the SAT Order dated February 23, 2006 and April 28, 2006. However, the Company has not been able to clarify, with adequate documentary evidence, the averments in the audit report of N.D. Kapur & Co. which was annexed along with the SCN dated May 15/June 9, 2015. I also note that the Company has not been able to satisfactorily rebut the claim made in the said Audit report that the Company has not repaid the entire amount collected by it under CIS and cannot therefore be considered to have been concluded and wound up. I find that the Company has thus not been able to show compliance with the Order of SEBI dated January 28, 2005.
52. On perusal of the documents filed with the RoC by the Company, I note that Ms. Meena Gupta and Ms. Mamta Sinha, have passed away, and death certificates dated June 7, 2016 and January 11, 2011, with regard to the same have been filed. Accordingly, Company has filed Form 32 with RoC, intimating of cessation of their directorship with effect from June 7, 2016 and December 28, 2010, respectively. Accordingly, the present proceedings for non-compliance of SEBI order abate with respect to Ms. Meena Gupta and Ms. Mamta Sinha. I note from the reply filed by Ms. Shanti Saxena, that Mr. Satyendra Mohan Chandra has passed away and death certificate dated May 5, 1999 has been provided to that effect. Accordingly, the present proceedings for non-compliance of SEBI order abates with regard to Mr. Satyendra Mohan Chandra.
53. I find from the *MCA21* portal that Major General Baldev Raj Varma is not reflected to be a director of the Company. However, vide reply dated May 29, 2015 I note that Major General Baldev Raj Varma has stated that he accepted the position of Director of the Company although it did not involve any shareholding. Further, from the reply dated August 10, 2010 and the copy of the resignation letter dated December 21, 1997 enclosed therein, the said Noticee has referred himself to be a Director of the Company. Further, from the email dated November 6, 2017, I note that the said Noticee has stated that he was offered the position of Director of the Company with a salary of Rs. 20,000 per month which he accepted. Finally, as per the Audit Report provided by N.D. Kapur & Co., Major General Baldev Raj Varma had joined the Company on January 14, 1997 as a Director. I note from the email dated November 6, 2017

that the said Noticee has argued that he had resigned on December 21, 1997 which was accepted by a clerk of the Company, as the owners were not in office on the said date. I note that the fact of resignation cannot be established without a doubt as the Noticee admittedly does not claim to have the acknowledgment of the authorized signatory of the Company. Therefore, I find no merit in the submission that Major General Baldev Raj Varma had resigned from the position of Director of Paramount.

54. From the aforesaid, I find that appropriate directions are required to be passed against Paramount and its directors, viz. Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, Ms. Bhawani Srivastava and Major General Baldev Raj Varma for the violations of CIS Regulations during the relevant period of time as brought out in the SEBI Order dated January 28, 2005. Further, for the non-compliance with the SEBI Order dated January 28, 2005 by Paramount and its directors, viz. Mr. Girish Chandra Gupta, Ms. Pushpa Gupta and Ms. Bhawani Srivastava, I find it appropriate that adjudication proceedings may be initiated.
55. I find that SEBI has the power under section 28A of the SEBI Act, to initiate recovery proceedings against persons who have failed to comply with the direction of the Board for refund of money. In this regard, I note that the SEBI Order dated January 28, 2005 did not envisage initiation of recovery proceedings, as SEBI was conferred with recovery power under section 28A of the SEBI Act only vide the Securities Laws (Amendment) Act, 2014, which was notified on August 22, 2014. The power of recovery is procedural in nature and the same can be exercised in the present case.

ORDER

56. In view of the aforesaid observations and findings, I, in exercise of the powers conferred under section 19 of the SEBI Act, read with sections 11 and 11B of the SEBI Act read with reg. 65 of CIS Regulations, hereby issue the following directions:
- a. Paramount Biotech Industries Limited is directed to repay the balance amount to the investors as mentioned in sub clause (v) of this direction and provide a peer reviewed Chartered Accountant certificate containing the following details and incorporating clarifications for the discrepancies brought out in the Audit Report submitted by N.D. Kapur & Co. dated May 14, 2014.
 - (i) The amount of money collected scheme wise.
 - (ii) The details of promised return

- (iii) Calculation of total amount to be paid scheme wise adding the promised return or 15% interest from the date of investment in case scheme details are not available
- (iv) The amounts accepted as verified to have been paid, by the Auditor, N.D. Kapur & Co.
- (v) The remaining amount to be paid and
- (vi) Verification of payment of the remaining amounts to be paid to the respective investors.

The said repayment details must be supported by documentary evidence verified by another independent peer reviewed Chartered Accountants who is in the panel of any public authority or public institution. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ("ICAI") holding such certificate. The Company is directed to provide the aforesaid within 120 days from the date of receipt of this Order. However, in order to meet the requirements in Paragraph 56(c), the Company is directed to calculate the amount at Paragraph 56(a)(v) within 90 days.

- b. Paramount Biotech Industries Limited shall issue public notice, in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund of amount at para 56(a)(v), including the details of contact persons such as names, addresses and contact details, within 15 days of this Order coming into effect.
- c. Paramount Biotech Industries Limited is directed to deposit the amount as mentioned in Paragraph 56(a)(v) in an Escrow Account opened with a nationalized Bank within 100 days from the date of receipt of this Order. Paramount Biotech Industries Limited is prevented from selling its properties except for the sole purpose of putting the money in the Escrow Account and refunds are to be made to the respective investors from the said Escrow Account.
- d. Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, and Ms. Bhawani Srivastava are directed to ensure that the directions under Paragraphs 56(a), 56(b) and 56(c) of this Order, are complied with by the Company within the timelines specified, failing which SEBI may initiate adjudication proceedings against Paramount Biotech Industries Limited and Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, and Ms. Bhawani Srivastava.

- e. Paramount Biotech Industries Limited and its Directors, viz. Mr. Girish Chandra Gupta, Ms. Pushpa Gupta, Ms. Bhawani Srivastava and Major General Baldev Raj Varma are directed not to, directly or indirectly, access the securities market, by issuing prospectus, offer document or advertisement soliciting money from the public and are further restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in whatsoever manner, from the date of this Order, till 5 years from the repayment of the entire amount as directed in Paragraph 56(a) of this Order.
 - f. In case, Paramount Biotech Industries Limited fails to comply with the directions at Paragraph 56(a) of this Order, SEBI may initiate appropriate actions, including recovery proceedings against the Company in accordance with section 28A of the SEBI Act including such other provisions contained in securities laws.
 - g. The present proceedings with respect to Ms. Meena Gupta, Ms. Mamta Sinha and Mr. Satyendra Mohan Chandra stands abated.
57. Copy of this Order shall be forwarded to the recognized stock exchanges, depositories and registrar and transfer agents for information and necessary action.

DATE: May 25 , 2018

PLACE: Mumbai

MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA