

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, IN THE MATTER OF LRN FINANCE LTD.-

	NOTICEES	DIN/CIN	PAN
COMPANY –			
1.	LRN Finance Limited	U65921TN1992PLC089288	AABCL2314G
DIRECTORS –			
2.	Raj Kumar Roy	03484607	ADEPR0525N
3.	Swapam Kumar Sircar	05139699	ARTPS6293D
4.	Arup Thakur	3476120	AHAPT9481B
5.	Chandan Kumar Adhikary	5250128	ALBPA4669F
6.	Diwakar Singh	6656895	ARMPS5874K
7.	Goutam Ghosh	2657577	AKPPG3876R
8.	Hari Singh	3609738	BEYPS1645Q
9.	Manoranjan Roy	2275811	AROPR1716R
10.	Sandeep Thakur	3390396	AIMPT7824M
11.	Singh Jagbahadur Negi	5300787	ADAPN7103J
12.	Subhajit Saha	2658455	BKUPS5569R
13.	Siddhartha Roy	02853474	ATCPR8340P

1. Securities and Exchange Board of India (“SEBI”) received a reference dated January 07, 2014 from District officer, Gaya requesting SEBI to examine documents pertaining to a few companies including Pincon Securities Limited, a SEBI Registered Stock Broker. Further, SEBI received another complaint with regard to a Pincon group company, LRN Finance Ltd. (“**LRN**”/“**the Company**”) along with certain documents which indicated that LRN had issued non-convertible redeemable debentures to the general public.
2. As per MCA21 portal, certain basic information pertaining to LRN is tabulated below:-

TABLE 1

Name of the Company	LRN Finance Limited
Date of Incorporation	12/11/1992
Company Category	Company limited by Share, Unlisted
CIN	U65921TN1992PLC089288

PAN	AABCL2314G
Registered Office Address	Shop No. 355 & 357 Plaza Center, G.N. Chetty Road Chennai Chennai TN 600006
Correspondence Office	Same as registered address
Date of filing of the last Annual Accounts & Annual Report	31/03/2014

3. LRN was a registered NBFC (B-07.00390) with the Reserve Bank of India (RBI). However, RBI vide order dated September 27 2016, in exercise of the powers conferred under section 45 IA (6) of the Reserve Bank Act, 1934, cancelled LRN's certificate of registration as an NBFC.
4. By way of preliminary inquiry, letter dated May 29 2014 was sent to LRN at its registered office address, seeking certain documents and information in relation to public issue of securities by LRN. The company filed its reply vide its letter dated June 07, 2014 wherein it had submitted the following documents:
 - a. Copy of Memorandum of Association and Articles of Association.
 - b. Copy of Audited Annual Report for 2012-13 & 2011-12, filed with RoC, Tamil Nadu.
 - c. Date of Allotment of each series of NCD issue.
 - d. Details of Registrars & Trustees for Series C of NCD along with agreements made with Trustees & Registrars.
 - e. Copies of Form 10, along with Annexures, filed with RoC, for the Series C of debentures.
 - f. Certified copy of Register of debenture for the said series.
 - g. List of Allottees of the Series C.
5. The company also made the following submissions vide its letter dated June 07, 2014.
 - a. Company has not raised any funds through public issue route till date, hence the question of filing prospectus before Registrar of Companies does not arise.
 - b. Till date the company has allotted three series of debentures (Secured Redeemable NCDs) through private placement basis and duly intimated to the sector regulator, RBI, Department of Non-Banking Supervision, Chennai.

- c. The company has allotted NCDs as per the provisions of the Companies Act, 1956 for Series C and which does not require any filing with ROC. The company submitted the certified true copy minutes of Board Meeting in which resolution has been passed for the said allotment.
- d. As these issues were Private Placement of debentures, the company did not circulate any application form or pamphlet, advertisement or promotional materials. The company had approached its pre-identified investors for investment in NCDs of the company duly meeting the investment criteria and other regulatory provisions prescribed by RBI.
- e. As per Companies Act, 1956, Form 2 was required to be filed for allotment of Equity shares and Preference shares only. For allotment of debenture, there was no Form prescribed under Companies Act, 1956. However, e-forms PAS-3 has been prescribed in pursuant to Sec 39 (4) and 42(9) OF Companies Act, 2013 and Rule 12 & 14 of Companies (prospectus & allotment of securities) Rules, 2014. Such sections of New Companies Act was notified on April 01 2014. On or after April 2014, no debentures were allotted hence question of RoC returns on debentures does not arise in this case.

6. As per the company's submission, it was observed that the company issued debenture in 2011-12, 2012-13 and 2013-14. The details of the debentures outstanding are as follows:

TABLE 2

Year	Series	Type of Security	No. of persons to whom issued	Total Amount (in crore)
2011-12	A	Non-Convertible Redeemable Debentures of ₹ 1000/- each	5	₹10.00
2012-13	B		4,178	₹27.00
2013-14	C		47	₹13.60

7. The names of the debenture trustees appointed for each series of debentures issued and related details, as submitted by the company are as follows:-

TABLE 3

Name of Series	Trustee	Charge Date	Issue opening date	Issue closing date	Date of maturity	Amount raised (₹)
A	IDBI Trusteeship Services Limited	August 16, 2011	August 16, 2011	November 16, 2011	November 16, 2018	10 Crore Outstanding
B	IL&FS Trust Company Limited	June 04, 2013	May 16, 2012	August 16, 2012	August 16, 2019	27 Crore
C	AllBank Finance Limited	July 18, 2013	July 01, 2013	December 31, 2013	15-16- ₹ 8.75 cr 16-17- ₹1.80 Cr 18-19- ₹ 3.05 Cr	13.60 Crore
D	SBI Cap Trustee Company Limited	January 14, 2014	January 01, 2014	March 15, 2014	-	-

8. Form 10 filed by LRN, as obtained from MCA21, provides information on the various board resolutions approving the issuance of NCDs. The details of the available board resolution are as follows:

TABLE 4

Date of Board Resolution	Agenda	Charges Created
21/07/2011	Borrowing ₹25 crore by way of issue 2,50,000- 14.5% secured redeemable non-convertible debenture of face value of ₹ 1000/	₹25 Crore on 16.08.2011
24/04/2012	Issuing of rated secured taxable redeemable non-convertible debenture of face value of ₹1000/	₹ 30 crore on 04.06.2012
13/07/2013	Issuing upto 3,00,000 (Series C) rated secured taxable redeemable non-convertible debenture of face value of ₹1000/	₹30 crore on 18.07.2013
02/12/2013	Issuing upto 3,00,000 (Series D) rated secured taxable redeemable non-convertible debenture of face value of ₹1000/	₹ 30 crore on 14.01.2014

9. The Annual reports submitted by the company provide the following details regarding issuance of debentures:

TABLE 5

Year	Series	Type of Security	Total Amount (in crore.)
2011-12	A	Non-Convertible Redeemable Debentures of Rs. 1000/- each	₹16.00
2012-13	B		₹27.00
Total			Rs. 43.00

Further, on perusal of the Annual Report 2013-14 from MCA21, the following is observed:

TABLE 6

Particular	As on 31.03.2014 (₹)	As on 31.03.2013 (₹)
Long Term Borrowing		
14.5% secured Non Convertible (A Series)	100,000,000	160,000,000
15% secured Non Convertible (B Series)	270,000,000	270,000,000
14.5% secured Non Convertible (C Series, 2yrs)	87,500,000	-
14.75% secured Non Convertible (C Series, 3yrs)	18,000,000	-
15% secured Non Convertible (C Series, 5yrs)	30,500,000	-
	506,000,000	430,000,000

10. Issue-wise/Series-wise Details

- (i) **Series A:** According to the company's submission to SEBI, the company had raised ₹10 crore through Series - A debenture. The details as provided by the company are as follows:

TABLE 7

Investor name	Date of issue	Amount (₹)
Spandan Infrastructure India Limited	December 01, 2011	3 Crore
Red Rose Marketing Society	December 01, 2011	4 Crore
Mr. Aravind Kumar Singh	December 01, 2011	1 Crore
Mr. Swarupananda Manna	December 01, 2011	1 Crore
Others	December 01, 2011	1 Crore
Total		10 Crore

From the table above, it is noted that it has not been clarified as to what are the particulars of the investors which fall under the 'Others' category or the number of such investors that fall under the 'Others' category. The debenture trustee for Series A NCDs i.e. IDBI Trusteeship Services Limited ("**ITSL**") has informed SEBI vide email dated October 18, 2014 that Series A NCDs had been offered and allotted to only 22 investors and that as on the date of the email, debentures

amounting to ₹ 10 crore allotted to 5 persons including a category called 'Others' was outstanding.

- (ii) **Series B:** From the annual report of LRN Finance Limited for FY 2012-13, it is observed that as of March 31, 2013, the value of outstanding Series-B Debenture was ₹ 27 crore. As per the company's submission, the debentures were issued to 4,178 persons amounting ₹ 27 crore. On scrutiny of the allotment list, it was observed that most of the addresses of Debenture holders have only the village name and not the complete address. Further, from the list, it appears that the company issued debentures all over the country. As submitted by the company, IL&FS Trust Company Limited (ITCL) was the Debenture Trustee to Series –B Debentures issue. ITCL in its e-mail dated June 25, 2014 stated that in July, 2013, there were advertisements on websites calling for investors to invest into the B series Debentures of LRN Finance Limited, which was more in the nature of advertisements to general public. Pursuant to the same, ITCL had issued a public notice dated August 01, 2013 cautioning the public against making investments in the said debentures on the basis of advertisements carried out by LRN which referred to ITCL's name without its consent.

Thus, from the above facts, it is clear that the offer of debenture in Series –B has been made to public and the forms for subscription of debentures are freely circulated even after the closure of the issue and was widely advertised.

- (iii) **Series C:** The Company stated that it has issued privately placed debentures in Series- C of ₹13.60 crore to already identified investors and the number of investors is 47. It is noted that as per the company's submission, the Series –C Debentures were closed for subscription on September 29, 2013. However, as per the submission by AllBank Finance Limited (ABFL) i.e. the debenture trustee for Series C, the date of closure of the issue was extended to be closed on December 30, 2013 vide the company's board resolution dated September 26, 2013. Further, SEBI is in receipt of complaints against LRN for not refunding money, where the complainants have also enclosed copies of letter of allotments of NCD certificates of **Series C** issued by the company. Some of the letters of allotment show that the debentures were allotted after actual closure of the issue

of Series C. It is also seen that the names of the allottees as per company's submission are different from the names of complainants. Thus, it appears that in addition to the allottees submitted by the company, it has also made allotments to the complainants. On a physical verification, it has been observed that the company issued NCDs of Series C to at least 30 persons excluding the list of allottees submitted by the company. Therefore, based on the material available, it may be inferred that the company issued NCDs of Series C to at least 77 persons (*i.e. 47 investors as per the company's submission and 30 investors based on the complaints received*) during 2013-14.

Thus, it appears that LRN Finance Limited was soliciting subscription for their Debenture Series- C and intentionally using the logos and names of SEBI registered intermediaries (AllBank Finance Ltd. being a registered debenture trustee) to mislead the investors as if their issue is a legitimate one. Further, as the application for Debentures of LRN Finance Limited in Series –C is attached with the pamphlets circulated by Pincon Group, it appears that LRN Finance Limited was widely soliciting subscription for their C Series Debentures, even after the actual closure date of the issue i.e. on December 31, 2013. Therefore, it may be inferred that LRN issued Series C debenture more than 49 persons.

(iv) Series D: SBI Cap Trustee Company Limited (STCL) was the debenture trustee for the Series D of Debentures. STCL vide its letter dated 14.01.2015 submitted the following:

- (a) STCL agreed to act as debenture Trustee for 3,00,000 rated Secured Redeemable Non-Convertible debenture of face value ₹ 1,000/- each, aggregating up to Rs. 30 crore on a Private Placement basis during 2013-14. As per information memorandum dated 16.12.2013, the issue was supposed to open on 01.01.2014 and closed on 10.03.2014; the closing date had been extended till 16.05.2014 vide board resolution dated 10.03.2014.
- (b) STCL forwarded a letter dated 19.05.2014 for termination of Debenture Trusteeship for said series. It was also advised to initiate filling of necessary form with RoC for satisfaction of charge. However, there was no response from Company's side in spite of repeated efforts from STCL's side.

- (c) STCL received complaints from various investors on SCORES asking for refund of money along with the interest. STCL forwarded the complaints to LRN seeking explanation. However, no reply was received.

LRN vide its letter dated 16.05.2014 submitted that they have not been able to raise any fund issuing Series D debenture. Issue opening date was 01.01.2014 and the issue was pre-closed on 15.03.2014. Based on the complaints received, it is noted that LRN had issued NCDs without mentioning any Series name during 2013-14 and 2014-15. Further, it has been observed that the company issued NCDs to three persons on 13.02.2014, 28.03.2014 and 05.04.2014, albeit without any clarity as to which series these NCDs belong to. This discrepancy in debentures identified through physical verification compared to those which were disclosed by the company, leads to the presumption that the information provided by the company is not complete in all respects and that there could be several more debentures publicly issued.

- 11.** Based on the above observations, the value of debentures issued and the number of persons to whom they were allotted to, are summarised as follows:

TABLE 8

Year	Series	Type of Security	No. of persons to whom issued	Total Amount (in crore.) (₹)
2011-12	A		22	16.00
2012-13	B	Non-Convertible Redeemable Debentures of Rs. 1000/- each	4,178	27.00
2013-14	C		77*	13.60*
2014-15	-		1*	0.0025
Total			4278	56.60*

**It may be noted that complaints are continuously being received in SEBI and the amount given above is therefore approximate.*

Issue For Determination –

- 12.** The issue for determination in the instant matter is whether the mobilization of funds by LRN Finance Ltd. through the offer and allotment of non-convertible redeemable debentures, as detailed at paragraphs above, is in accordance with the provisions of the SEBI Act 1992, Companies Act, 1956 and SEBI (ILDS) Regulations, 2008.

Relevant Provisions of Law and Prima Facie Findings –

- 13.** Section 67 of the Companies Act, 1956 deals with the conditions or circumstances under which an offer of shares/debentures by a company would be construed as one made to the public. Extracts of the relevant provisions of section 67 of the Companies Act, 1956, dealing with offer of shares or debentures to the public, are reproduced as under:

"Construction of reference to offering shares or debentures to the public, etc.

67. (1) Any reference in this Act or in the articles of a company to offering shares or debentures to the public shall, subject to any provision to the contrary contained in this Act and subject also to the provisions of sub-sections (3) and (4), be construed as including a reference to offering them to any section of the public, whether selected as members or debenture holders of the company concerned or as clients of the person issuing the prospectus or in any other manner.

(2) Any reference in this Act or in the articles of a company to invitations to the public to subscribe for shares or debentures shall, subject as aforesaid, be construed as including a reference to invitations to subscribe for them extended to any section of the public, whether selected as members or debenture holders of the company concerned or as clients of the person issuing the prospectus or in any other manner.

(3) No offer or invitation shall be treated as made to the public by virtue of sub-section (1) or sub-section (2), as the case may be, if the offer or invitation can properly be regarded, in all the circumstances-

(a) as not being calculated to result, directly or indirectly, in the shares or debentures becoming available for subscription or purchase by persons other than those receiving the offer or invitation; or

(b) otherwise as being a domestic concern of the persons making and receiving the offer or invitation.

Provided that nothing contained in this sub-section shall apply in a case where the offer or invitation to subscribe for shares or debentures is made to fifty persons or more:

Provided further that nothing contained in the first proviso shall apply to non-banking financial companies or public financial institutions specified in section 4A of the Companies Act, 1956 (1 of 1956)."

- 14.** For ascertaining whether the offer and allotment of NCDs by LRN would fall within the scope of Section 67 of the Companies Act, 1956, the number of persons to whom offer was made by the Company is important. In terms of the first proviso to section 67(3), an offer of shares or debentures made to fifty persons or more would constitute an offer to the public. From the MCA21 portal, it is clear that in two instances of allotment of NCDs listed in Table 8 i.e. during the years 2012-13 and 2013-14 the offer and allotment of NCDs had taken place to more than 49 persons. Further, information of allotments made in 2014-15 are neither qualified by the 'series' to which the issued debentures belonged to nor is there sufficient information regarding such issuances. Since the offer and allotment of Series A NCDs were made only to 22 investors as per the information received from ITSL, the said allotment is not a subject matter of this Order. However, during the entire

period from the FY beginning April 2012 to March 2015, a total of atleast ₹ 40.60 crore was raised from atleast 4256 persons, the list of allottees and amounts possibly being quoted much lower due to the inconsistent information provided by the noticee company. Therefore on the basis of complaints received, and available information recorded above, the offer and allotment of NCDs during financial years 2012 to 2015 detailed above i.e. offer and allotment of NCDs to 4256 persons amounting to ₹40.60 crore (hereinafter referred to as "**offer and allotment of debentures**") by LRN *prima facie* qualifies to be construed as an offer made to the public in terms of section 67(3) of the Companies Act, 1956.

15. From the above, it will follow that such a public issue makes it imperative for LRN to comply with the mandate of Section 73 of the Companies Act. Relevant extract of Section 73 of the Companies Act, 1956 is reproduced as under:

"Allotment of shares and debentures to be dealt in on stock exchange.

73. (1) *Every company intending to offer shares or debentures to the public for subscription by the issue of a prospectus shall, before such issue, make an application to one or more recognised stock exchanges for permission for the shares or debentures intending to be so offered to be dealt with in the stock exchange or each such stock exchange.*

(1A) ...

(2) *Where the permission has not been applied under subsection (1) or such permission having been applied for, has not been granted as aforesaid, the company shall forthwith repay without interest all moneys received from applicants in pursuance of the prospectus, and, if any such money is not repaid within eight days after the company becomes liable to repay it, **the company and every director of the company who is an officer in default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at such rate, not less than four per cent and not more than fifteen per cent, as may be prescribed, having regard to the length of the period of delay in making the repayment of such money.***

...." (emphasis supplied)

16. As the offer and allotment of debentures is, *prima facie*, a public issue in accordance with the provisions of the Companies Act, 1956, the same will attract the requirement for such shares to be dealt on a recognised stock exchange in terms of Section 73 of the Companies Act, 1956, as stated above. I find that LRN is *prima facie* in breach of the provisions of Section 73 as well.

17. Further, in connection with the public issue, Section 56 of the Companies Act, 1956 mandates that the prospectus issued by a company shall state the matters specified thereunder and Section 60 of the Companies Act, 1956 mandates

registration of such prospectus with the ROC. I find that there is no evidence on record to indicate that LRN has complied with the provisions of Sections 56 and 60 of Companies Act, 1956, in respect of the *offer and allotment of debentures*. In view of the same, I find that LRN is *prima facie* in breach of the provisions of Sections 56 and 60 of the Companies Act, 1956 in connection with the subject offer and allotment of debentures.

18. Further, public issue of debentures requires compliance with the norms issued by SEBI. The relevant provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 ("**ILDS Regulations**") are listed as under:

- (i) Regulation 4(2)(a) – Application for listing of debt securities
- (ii) Regulation 4(2)(b) – In-principle approval for listing of debt securities
- (iii) Regulation 4(2)(c) – Credit rating has been obtained
- (iv) Regulation 4(2)(d) – Dematerialization of debt securities
- (v) Regulation 4(4) – Appointment of Debenture Trustee
- (vi) Regulation 5(2)(b) – Disclosure requirements in the Offer Document
- (vii) Regulation 6 – Filing of draft Offer Document
- (viii) Regulation 7 – Mode of disclosure of Offer Document
- (ix) Regulation 8 – Advertisements for Public Issues
- (x) Regulation 9 – Abridged Prospectus and application forms
- (xi) Regulation 12 – Minimum subscription
- (xii) Regulation 14 – Prohibition of mis-statements in the Offer Document
- (xiii) Regulation 15 – Trust Deed
- (xiv) Regulation 16 – Debenture Redemption Reserve
- (xv) Regulation 17 – Creation of security
- (xvi) Regulation 19 – Mandatory Listing
- (xvii) Regulation 26 – Obligations of the Issuer, etc.

The company has not complied with the said provisions and thus violated the Regulation 4-9, 12, 14-17, 19 and 26 of SEBI (ILDS), Regulation, 2008.

19. From the details brought out above, it is observed that the company has raised at least Rs. 40.60 crore by way of public issue of NCDs during 2012-13 and 2013-14 without complying with the specific provisions of Companies Act, 1956 and SEBI (ILDS), Regulation, 2008, as mentioned above.

20. As per the information available on the MCA21 Portal, the details of the present and past Directors of LRN, including the dates of appointment/cessation as Directors, are as under:-

TABLE 9

Sl.no.	Name of the Directors	DIN	PAN	Address	Date of Appointment	Date of Cessation
1.	Arup Thakur	3476120	AHAPT9481B	17/1 Swinhoe Street, Kolkata, 700019	08.05.2012	14.07.2014
2.	Chandan Kumar Adhikary	5250128	ALBPA4669F	Mauja-Pipulberya (J.L. NO.-149), Pipulberya-1, Tamruk, Purba Medinipur, 721649	08.05.2012	02.11.2012
3.	Diwakar Singh	6656895	ARMPS5874K	30, Kagaji Muhalla, Ward NO 24, Biharsharif, Nalanda, Bihar, India 803101	13.08.2013	27.08.2013
4.	Goutam Ghosh	2657577	AKPPG3876R	Kaberipara Road, Karbala More, Chinsura, Hooghly 712103	30.01.2012	08.06.2012
5.	Hari Singh	3609738	BEYPS1645Q	17, Brijavihar, Amrapura, Kalavari, Agra, Uttar Pradesh, India 283105	17.04.2012	18.12.2014
6.	Manoranjan Roy	2275811	ACXPR2131E (marked as duplicate) AROPR1716R (active)	247/C Raipur Road, Sree Colony, Kolkata, 700092	06.12.2010	27.08.2013
7.	Sandeep Thakur	3390396	AIMPT7824M	16/H/1, Chandra Mondal Lane, Kolkata, West Bengal, India 700026	30.01.2011	31.05.2012
8.	Singh Jagbahadur Negi	5300787	ADAPN7103J	QTR.NO - 193, 2 nd Floor, Gautam Nagar, New Delhi, Delhi, 110049	08.06.2012	26.08.2013
9.	Subhajit Saha	2658455	BKUPS5569R	28 - Hari Sava Street, Hidirpur, Kolkata, 700023	30.01.2012	08.05.2012
10.	Shanmugam Sundaresan	4602	No record found	NO.2, Ramakrishan	26.02.2011	30.09.2011

				Road, Salem, Tamil Nadu, India 636007		
11.	Shanmugam Sundaresan Shiva	6425	AXYPS3985R	No.2, Ramakrishna Road, Salem, Tamil Nadu, India 636007	31.07.2005	30.09.2011
12.	Sundaresan Sulochana	00006468	AGUPS0830J	No.2, Ramakrishna ROAD, Salem, Tamil Nadu, India 636007	18.08.1999	30.09.2011
13.	Suresh Kumar Choudhary	1777214	ACCPC8641D	30/1 Sarat Bose Road, Kolkata, West Bengal India 700020	04.12.2011	12.03.2012
14.	Malay Kumar Banerjee	2945535	ADNPB3816B	13 Jodhpur Park, Kolkata, West Bengal 700068	04.12.2011	12.03.2012
15.	Raj Kumar Roy	03484607	ADEPR0525N	1/38, Nelin Nagar, 1 Nang & 2 Nangpada, Kolkata Municipal Corporation, Garfa Kolkata 700078	06/12/2010	-
16.	Swapan Kumar Sircar	05139699	ARTPS6293D	198A, S.P.Mukherjee Road, "Omkar", 1ST Floor Flat, 1-A Kolkata 700026	04/12/2011	-
17.	Siddhartha Roy	02853474	ATCPR8340P	29 Mahanirban Road GR. Floor Kolkata 700029	19/12/2014	-

21. I note that the persons at sl.nos. 1 – 9 and sl nos. 15-17 at Table 9 were the Directors during the offer and allotment of debentures during the financial years 2012-13 to 2014-15 and hence, are responsible for the offer and allotment of NCDs in violation of the Public Issue requirements. Further, persons at serial nos. 15 - 17 are presently responsible for the affairs of LRN. The said directors listed at sl. nos. 1-9 and 15-17 at Table 9 above are hereinafter referred to as **Noticee directors**".

Reference made to RBI

- 22.** Vide letters dated January 10, 2014 and March 28, 2014, the Patna office of SEBI had forwarded complaints received from the District Officer Gaya relating to LRN to RBI for necessary action since LRN was a registered NBFC at the time. After completion of examination in the matter, vide letters dated August 22, 2017 and October 10, 2017, it was once again brought to the notice of RBI that LRN had mobilised funds by issuing NCDs during the period it was registered with RBI and that therefore necessary action may be taken by RBI. In response, vide letter dated November 13, 2017 RBI replied to SEBI stating the following :
- "As the CoR (Certificate of Registration) of the company has been cancelled, the Bank is not in a position to direct the company to refund the investors of the NCDs. Complaints of non-refund of investments in the instruments of the company should be referred to Police authorities/competent authority. The Bank has forwarded such complaints earlier to EOW, Tamil Nadu. It is suggested that SEBI may initiate action against the company, as it may deem fit, if the NCDs have been raised in violation of SEBI Directions. The Bank may share any further information available with it, if required by SEBI in this regard."*

Directions –

- 23.** I note that the Directorate of Economic Offences (DEO), Kolkata vide their letter dated January 04, 2018 informed SEBI that it has initiated action against Pincon Group including LRN, seized properties belonging to Pincon Group and arrested sixteen persons including two directors of LRN. Further, vide public notice dated December 16, 2017, DEO has requested depositors, secured creditors and other affected persons to furnish the necessary documents who have deposited money/invested in debentures etc. to Pincon group of companies for refund. As the proceedings to refund the investors including the debenture holders have already been initiated by the DEO, it is felt that no meaningful purpose will be served if SEBI were to initiate separate refund proceedings against the Noticees at this juncture. Accordingly, I direct the Noticee company i.e. LRN and its Noticee Directors to ensure refund to all the NCD holders through the process being carried out by DEO, Kolkata.

24. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B of the SEBI Act hereby issue, with immediate effect, the following directions, which shall remain in force until further orders:-

- i. LRN and its Directors i.e. Raj Kumar Roy, Swapan Kumar Sircar, Arup Thakur, Chandan Kumar Adhikary, Diwakar Singh, Goutam Ghosh, Hari Singh, Manoranjan Roy, Sandeep Thakur, Singh Jagbahadur Negi, Subhajit Saha and Siddhartha Roy shall not mobilize fresh funds from investors through the offer and allotment of any securities, to the public and/or invite subscription, in any manner whatsoever, either directly or indirectly.
- ii. LRN and its Directors named above shall not access the securities market either directly or indirectly in any manner whatsoever.

25. The preliminary findings contained in paragraphs above are made on the basis of the information submitted by the Company, documents obtained from MCA21 Portal and other relevant material on record. LRN and its Directors named above (Collectively referred to as “**Noticees**”) are hereby called upon to show cause as to why suitable directions/prohibitions under Sections 11, 11(4), and 11B of the SEBI Act should not be issued/imposed, including the following directions, viz. –

- i. The Noticees not to mobilize fresh funds from investors through the offer and allotment of any securities, to the public and/or invite subscription, in any manner whatsoever, either directly or indirectly.
- ii. The Noticees to be refrained / prohibited from accessing the securities market by issue of prospectus / offer document / advertisement and buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of four years, from the date of completion of refund to all the allottees of debentures described in para 14 above.
- iii. Any other directions as may be found suitable.

26. The Noticees may, within 21 days from the date of receipt of this Interim Order-cum-Show Cause Notice, file their respective replies. In the event the Noticees intend to avail an opportunity of personal hearing, they may do so by

seeking a confirmation in writing from SEBI for the same within 90 days from the date of receipt of this Order. In the event of the respective Noticees failing to file replies or requesting for an opportunity of personal hearing within the said 90 days, the preliminary findings mentioned at paragraphs 14-21 and directions at paragraph 25 shall become final and absolute against the respective Noticees automatically, without any further orders. SEBI may also initiate appropriate enforcement action under SEBI Act including Prosecution in addition to making a suitable reference to State Government/Local Police against the Noticees.

27. This Order is without prejudice to any other action that SEBI may initiate under securities laws, as deemed appropriate.

28. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for information and necessary action. A copy of this Order may also be forwarded to DEO, Kolkata and MCA/concerned RoC for their information and necessary action with respect to the directions imposed on LRN and its Directors named above.

Place: Mumbai
Date: July 25, 2018

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA