

WTM/AB/ERO/ERO/5638/2019–20

**SECURITIES AND EXCHANGE BOARD OF INDIA  
CORAM: SHRI ANANTA BARUA**

**FINAL ORDER 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.**

| Sr. No. | Noticee No. as per interim order | Noticee Name          | DIN     | PAN        |
|---------|----------------------------------|-----------------------|---------|------------|
| 1.      | 3                                | Swapn Kumar Sircar    | 5139699 | ARTPS6293D |
| 2.      | 6                                | Diwakar Singh         | 6656895 | ARMPS5874K |
| 3.      | 7                                | Goutam Ghosh          | 2657577 | AKPPG3876R |
| 4.      | 11                               | Singh Jagbahadur Negi | 5300787 | ADAPN7103J |

- SEBI passed an ex-parte interim order (which was also in the nature of show cause notice) in the matter of LRN Finance Ltd. (hereinafter referred to as **“LRN”/ “the company”**) on July 25, 2018 (hereinafter referred to as **“the interim order”**) in respect of non-convertible redeemable debentures, issued by the company in violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **“SEBI Act, 1992”**), Companies Act, 1956 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (hereinafter referred to as **“ILDS Regulations”**).
- The directions issued to the company and its existing and previous directors in the interim order are reproduced below:

**“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.”*

3. Certain noticees to the interim order i.e. Noticee no. 6 (Shri Diwakar Singh), Noticee no. 7 (Shri Goutam Ghosh) and Noticee no. 11 (Shri Singh Jagbhadur Negi) filed their replies in terms of liberty granted in paragraph

26 of the interim order. Remaining noticees to the interim order did not file any reply within 21 days of the receipt of the order or sought any opportunity of hearing within 90 days from the date of the receipt of the interim order and thus against these noticees directions as proposed in paragraph 25 of the interim order has become final, in terms of paragraph 26 of the interim order.

4. Thus the scope of the present proceedings is to determine whether the directions contained at paragraph 25 of the interim order cum SCN, should be issued and directions contained at paragraph 24 should be continued, against Noticee no. 6 (Shri Diwakar Singh), Noticee no. 7 (Shri Goutam Ghosh) and Noticee no. 11 (Shri Singh Jagbhadur Negi).
5. An opportunity of personal hearing was granted to Noticee no. 6, 7 and 11 on August 8, 2019. On the scheduled date of hearing, Noticee no. 7 failed to avail the opportunity of personal hearing. Noticee no. 6 and 11, sought an adjournment. Hence, matter was adjourned to August 27, 2019 for Noticee no. 6 and 11. On August 27, 2019, Noticee no. 6 was heard but Noticee no. 11 failed to appear. Thereafter, Noticee no. 6 also filed written submissions dated August 26, 2019.
6. Before dealing with the contentions raised by the respective noticees, it is important to note that the interim order passed in the present matter, records that Directorate of Economic Offences (DEO), Kolkata has already started proceedings for making refund to the debenture holders of the company and accordingly instead of directing noticees separately to make refund, interim order directed the noticees therein to ensure refund to all the NCD holders through the process being carried out by DEO Kolkata. Thus, in the present proceedings it is to be determined whether the Noticee no. 6, 7 and 11 have violated the provisions of the law as alleged in the interim order and if yes, whether they are liable for directions as proposed in paragraph 25 of the interim order cum SCN.

7. I note that vide his reply dated September 29, 2018 and additional written submissions dated August 26, 2019, Noticee no. 6, has made the following submissions:

- i. That Noticee no. 6 signed FORM III giving consent to act as non-executive director of Pincon Spirits Ltd. It was utter surprise for Noticee no. 6 to note that he was made director of LRN without his consent.
- ii. That Noticee no. 6 during his 14 days tenure as director of LRN was not in-charge of managing the affairs of LRN. The Noticee no. 6 was not engaged in any fund mobilizing activity from the public, through the offer of NCD's as alleged. That Noticee no. 6 was fraudulently made the director of LRN.
- iii. That the interim order does not state the allegations or charge against him and fails to show the connivance of Noticee no. 6 in the alleged fraud committed by LRN.

8. I note from the records of the MCA 21 Portal that, Noticee no. 6 was appointed as an independent non-executive director of the company. He was the non-executive director of the company for 14 days from August 13, 2013 to August 27, 2013. Though Noticee no. 6 has claimed that he had given his consent for becoming a director in the Pincon Spirits Ltd. but was fraudulently appointed as director in the company, however, he has not produced any credible evidence in support of his claim. Further, Noticee no. 6 has also not produced any copy of FIR or other legal proceedings initiated by Noticee no. 6 for the alleged fraud played upon him. Interim order finds that the company has violated the provisions of the Companies Act, 1956 and ILDS Regulation in respect of its issue of redeemable non-convertible debentures. As mentioned above, the finding contained in the interim order has become final against the company. I find that Noticee no. 6 being an independent director, it was reasonably expected of him, to be diligent and vigilant regarding compliance with provisions of law by the company when such a large amount of funds was raised by the company in violation of the public issue norms. I also note that Noticee no. 6 has already undergone restriction from accessing the

securities market and from dealing in securities, from the date of the interim order (i.e. approximately 17 months have lapsed from the date of interim order). In view of the same, I find that imposing further directions or continuance of the existing directions, against Noticee no. 6, is not called for.

9. Submissions received on behalf Noticee no. 7, vide letters dated August 12, 2019 and August 13, 2018 states as follows:

- i. That Noticee no. 7 worked in LRN only for six months and that too as salaried staff.
- ii. Noticee no. 7 was totally unaware of the illegal activity committed by LRN.
- iii. That presently, Noticee no. 7 is in jail.

10. From the records available on MCA 21 portal, I note that Noticee no. 7 was a whole time executive director of the company from January 30, 2012 to June 8, 2012. Further, I also note that Noticee no. 7 has not furnished any evidence in support of his claim that he was not involved or that he was not aware of the illegal activities committed by the company. Noticee no. 7 has merely denied the allegations in the interim order without any supporting evidence. Being the whole time executive director of the company, Noticee no. 7 is responsible for the violations committed by the company as noted in the interim order, during his tenure. In view of the above, I am of the opinion that the directions as contained in the interim order at para 25, be issued against Noticee no. 7.

11. Noticee no. 11 vide his reply dated August 14, 2018 and August 2, 2019 has made the following submissions:

- i. That he was the independent director of Pincon Spirits Ltd. and he never gave his consent to act as director of LRN.
- ii. That his DIN has been forged and misused for making him the director of LRN.

- iii. That the name of the company LRN is totally stranger to him and that he is not aware at all about the alleged transaction as mentioned in the impugned order. Therefore, he claims not to be responsible for refund of any penny to the NCD holders.
- iv. That he has been falsely implicated with LRN without any substantiality. That he has never acted for and on behalf of LRN.

12. I note from the records of the MCA 21 Portal, that Noticee no. 11 was appointed as an independent non- executive director of the company. He was the non- executive director of the company from June 8, 2012 to August 26, 2013. Though Noticee no. 11 has claimed that he had given his consent for becoming a director in the Pincon Spirits Ltd. but was fraudulently appointed as director in the company, however, he has not produced any credible evidence in support of his claim. Further, Noticee no. 11 has also not produced any copy of FIR or other legal proceedings initiated by Noticee no. 11 for the alleged fraud played upon him. Interim order finds that the company has violated the provisions of the Companies Act, 1956 and ILDS Regulation in respect of its issue of redeemable non-convertible debentures. As mentioned above, the finding contained in the interim order has become final against the company. I find that, Noticee no. 11 being an independent director, it was reasonably expected of him, to have been diligent and vigilant when such large amount of funds was raised by LRN in violation of the public issue norms. I also note that Noticee no. 11 has already been restrained from accessing the securities market and from dealing in securities, from the date of the interim order (i.e. approximately 17 months have lapsed from the date of interim order). In view of the same, I find that the period of restraint already undergone by Noticee no. 11 as sufficient, and no further directions or continuance of the existing directions, is called for, against Noticee no. 11.

13. From the death certificate of the Noticee no. 3 as available on the records, I note that Noticee no. 3 has died on April 26, 2018. Accordingly, proceedings against Noticee no. 3 stands abated.

**Directions:**

14. 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, 1992 hereby directs that:

- i. proceedings against Noticee no. 6 are disposed of in terms of directions contained in para 8 of this order.
- ii. Noticee no. 7 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 and shall also 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 debenture of the company.
- iii. proceedings against Noticee no. 11 are disposed of in terms of directions contained in para 12 of this order.
- iv. proceedings against Noticee no. 3 are disposed of in terms of directions contained in para 13 of this order.

15. Copy of the Order shall be forwarded to all recognized stock exchanges, RTA's of mutual funds and all depositories for information and necessary action. A copy of this Order may also be forwarded to DEO, Kolkata.

Sd/-

**Place: Mumbai**

**Date: November 21, 2019**

**ANANTA BARUA**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**