

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Date of Decision : 25.11.2019

Appeal No. 479 of 2018

1. Paradigm Agro Products Ltd.
2. Sushil Gopaldas Mantri
3. Manish Rajendra Banthia
4. Rajendrakumar Dhanraj Banthia
5. Shrikant Gopaldas Mantri

2nd Floor, Surya Mahal,
Nagindas Master Road, Fort,
Mumbai - 400 001.

..... Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051.

... Respondent

Mr. Gaurav Joshi, Senior Advocate with Mr. Kazan Shroff, Mr. Sunil Gangam, Advocates i/b RMG Law Associates for the Appellants.

Mr. Pradeep Sancheti, Senior Advocate with Mr. Anubhav Ghosh, Ms. Rashi Dalmia, Advocates i/b The Law Point for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Dr. C. K. G. Nair, Member
Justice M. T. Joshi, Judicial Member



Per : Dr. C. K. G. Nair, Member (Oral)

1. This appeal has been filed aggrieved by the order of the Whole Time Member (hereinafter referred to as, 'WTM') of Securities and Exchange Board of India (hereinafter referred to as, 'SEBI') dated November 29, 2018. By the said order appellants have been, *inter-alia*, directed to make refunds to the investors by issuing public notices in daily relating to such refund details; submit the Winding-up and Repayment Report (WRR) to SEBI regarding the details of the refund; submit a Chartered Accountant report; restrained from dealing in securities market directly or indirectly for a period of one year and appellants who are the directors restrained from holding any position as a director or key managerial personnel in any listed or SEBI registered intermediary.

2. Appellant No. 1 - Paradigm Agro products Ltd. (hereinafter referred to as, 'Paradigm') is a company incorporated on October 25, 1993 for undertaking, among others, farming activities. Other appellants are the directors of the said company. In July 1994 appellant No. 1 launched a scheme called "En-friend Unit-1" and between July 1994 - January 1996, it collected an amount of Rs. 2,18,55,000/-. The said scheme was for developing teak wood



plantations and since in April 1996 due to natural reasons the teak plantations got destroyed, Paradigm wound up the scheme. Further, it is the stand of the appellants that out of the Rs. 2.18 crores (approximately) collected only Rs. 67.95 lacs was the contribution of unit holders and the rest of the money was put in by the directors and the promoters of Paradigm itself. It was further contended that by 2000-2001, Paradigm refunded an amount of Rs. 28.20 lacs out of the said Rs. 67.95 lacs and the balance amount of Rs. 39.75 lacs has been returned to the unit holders at different points of time during 2001-2015 as and when the said unit holders surrendered their certificates. During the said period of 2001-2015, the directors and the promoter's contribution of Rs. 1.31 crores was adjusted or converted into preference shares of Paradigm.



3. Learned Senior Counsel Shri Gaurav Joshi appearing for the appellants submitted that as of now only an amount of Rs.12.39 lacs is pending payment on account of the unit holders not coming forward in depositing the certificates and claiming the said amount. Further, on the directions of SEBI, this amount has been kept in an escrow account. It was also submitted that appellant No. 1 was a genuine company promoted with the intention of developing teak wood plantations, among others, and the entire operations started

before either the Securities and Exchange Board of India Act was amended in 1995 incorporating Collective Investment Schemes and well before the relevant Regulations were notified. Paradigm had wound up the operations in 1998, even before notifying the regulations, appellants are not even charged for any violations. However, the appellants have been fully co-operating with SEBI in providing all the information sought. The appellants had given all documents such as Chartered Accountant Certificate, WRR report and details of the amount collected, refunded, balance sheets, income tax returns, etc. Further, the appellants have filed an affidavit before this Tribunal dated September 18, 2019 stating that the appellants have complied with all the directions contained in the impugned order. Further, the learned senior counsel for the appellants also relied on the order of the **SEBI in respect of Popular Agro Farms Pvt. Ltd. & Ors. issued on February 23, 2018** stating that in a similar situation directions issued against the appellants in those appeals have been recalled. Accordingly, it was submitted that the impugned directions may be recalled and the restraint imposed on the appellants be removed.

4. Learned Senior Counsel Shri Pradeep Sancheti appearing on behalf of the Respondent relying on the affidavit filed by the respondent SEBI dated August 27, 2019 admitted to the stated compliance by the appellants.

5. Accordingly, for the reasons stated aforesaid and in view of the affidavit of the respondent dated August 27, 2019, we find that most of the directions given by the WTM have been complied by the appellant. Consequently, given the facts of the case, direction No. 52(xi) restraining the appellants from accessing the securities market for a period of one year will not be implemented and to that extent the order of the WTM is modified. However, we also direct the appellants to deposit a sum of Rs. 25 lacs before SEBI within four weeks from today which shall be kept in an interest bearing account by the respondent. In the event, any unforeseen claim is made by any investor against the appellants, it shall be met from the said amount. This amount shall be kept for a period of five years and thereafter if no claim is filed the amount shall be refunded alongwith interest accrued thereon. The lien given by the appellants on the securities of Rs. 50 lacs pursuant to the interim order dated December 26, 2018 shall come to an end upon deposit of Rs. 25 lacs by the appellants.

6. The appeal is disposed of accordingly with no order as to costs.

Sd/-
Justice Tarun Agarwala
Presiding Officer

Sd/-
Dr. C. K. G. Nair
Member

Sd/-
Justice M. T. Joshi
Judicial Member

25.11.2019
Prepared & Compared by
PTM

(Signature)

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REGISTRAR
SECURITIES APPELLATE TRIBUNAL
MUMBAI

11 DEC 2019