
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

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

in matter of Pincon Securities Ltd.

In respect of –

Sr. No.	Noticee	PAN/Other Identifying Number
1.	Pincon Securities Limited	U67120WB2011PLC170424 (CIN)
2.	Raj Kumar Roy	ADEPR0525N
3.	Dipankar Basu	NA
4.	Hari Singh	BEYPS1645Q
5.	Manoranjan Roy	AROPR1716R
6.	Arup Thakur	AHAPT9481B
7.	Chandan Kumar Adhikary	NA
8.	Subhajit Saha	BKUPS5569R

1. Background –

1.1. The present matter emanates from a reference dated November 27, 2013 received from the District Officer, Gaya (under the Bihar Protection of Interest of the Depositors Act, 2002) requesting the examination of the activities of certain entities, including Noticee No.1, Pincon Securities Limited (“**Pincon**”/ the “**Company**”).

1.2. Consequent to the receipt of the above reference, SEBI took up the examination of the said matter. In this regard, a visit was made by SEBI officials, posing as investors, to the address mentioned in the documents submitted with the reference i.e., “*Unit - M K Chaurasia & Team, Patel Nagar, near Mini SBI, Janald Sadan, Hilsa*”. At the said address, the SEBI officials found the office of Pincon Securities Limited situated on the first floor. The SEBI officials were able to get a booklet with details of the group companies of Pincon Securities Limited and other materials being provided to prospective investors. Post the visit of SEBI officials, a letter dated February 06, 2014 was issued to Pincon Securities Limited seeking information regarding its business activities. In reply to the above letter, Pincon by way of a letter dated March 06, 2014 provided some details regarding its business activities. Accordingly, based on the observations made during the visit of SEBI officials to the office of Pincon, documents collected and the reply to queries posed by SEBI, a show-cause notice was issued to the Noticees herein.

2. Summary of Show-cause Notice –

2.1. A common show-cause notice dated June 27, 2018 bearing number SEBI/HO/EFD1/DRA2/PU/OW/P/2018 (the “**SCN**”) was issued to the Noticees calling upon them to show cause as to why directions under Section 11B of SEBI Act should not be passed against them.

2.2. In this regard, the SCN has alleged that Pincon Securities Limited and its directors during the relevant time viz., Raj Kumar Roy (Noticee No. 2) , Dipankar Basu (Noticee No. 3), Hari Singh (Noticee No. 4), Manoranjan Roy (Noticee No. 5), Arup Thakur (Noticee No. 6), Chandan Kumar Adhikary (Noticee No. 7) and Subhajit Saha (Noticee No. 8) have violated Section 12 of the SEBI Act, 1992 (the “**SEBI Act**”) as Pincon Securities Limited was involved in merchant banking activities without obtaining registration from SEBI, as required under the SEBI Act.

Modus Operandi of Pincon Securities Limited

2.3. The SCN brings out that even though Pincon Securities Limited was registered as a Stock Broker, it was found by SEBI officials, during their visit to the office of Pincon Securities Limited at the address: Unit - M K Chaurasia & Team, Patel Nagar, near Mini SBI, Janaki Sadan, Hilsa, Nalanda, Bihar, that there was no trading terminal existing on the floor. The reception area was occupied by agents arranging hundreds of bond papers/allotment letters issued by the group entities of Pincon Securities Limited to the gathered investors.

2.4. The SEBI officials also found that the agents were handing over application forms for the private placement of Non-convertible Redeemable Debentures of face value of Rs. 1000 offered by LRN Finance Ltd. (“**LRN Finance**”) to the prospective investors. The prospective investors were also introduced to various schemes of group entities of Pincon Securities Limited, namely Rose Multipurpose Multistate Cooperative Society Ltd., ASK Financial Services Ltd., Greenage Food Products Ltd. Certain documents like pamphlets, calendars, visiting cards containing the details of their schemes, time period for investments and returns, contact numbers, etc. were also being provided to the investors.

2.5. It was observed from the promotional materials given to the investors, which are available with SEBI, that Pincon was highlighting itself as a SEBI registered (INB031488431) stock broker and in business of equities/Derivatives /Currency/IPOs/Bond/Mutual Fund/Fixed Deposits.

2.6. The SCN has concluded that Pincon Securities Limited was engaged in the activities of collecting/mobilising funds from the public terming it as private placement for its group companies. Also, Pincon Securities Limited had described its activities as that of an “arranger to issue” and “marketing associates” for its group companies.

2.7. Based on the nature of the above activities, the SCN has alleged that Pincon Securities Limited was acting as a Merchant Banker without a valid registration from SEBI, thereby violating Section 12 of the SEBI Act.

3. Personal Hearing and Replies & Written Submissions from the Noticees –

3.1. The SCN was served on all the Noticees. Pursuant to the issuance of the SCN, some of the Noticees filed their replies. Noticee No. 6 also sought opportunities of personal hearing, and the same was provided to him. The details of the personal hearing in the matter are tabulated below:

Table- 1

Noticee No.	Name of the Noticee	Date of Hearing	Represented by
6	Arup Thakur	August 11, 2021	Jayabrata Mukherjee Advocate

3.3. The details with respect to the service of the SCN and Hearing Notices to the Noticees are provided hereunder:

Table- 2

Noticee No.	Name of the Noticee	Details
1	Pincon Securities Limited	SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: Unit - M K Chaurasia & Team, Patel Nagar, near Mini SBI, Janaki Sadan, Hilsa, Nalanda, Bihar. The same could not be delivered.

		▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 3rd Floor, Willesley House, 7, Red Cross Place, Kolkata- 700001. The same could not be delivered. ▪ Copy of SCN dated June 27, 2018 was pasted at the above-mentioned address. ▪ Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September 02, 2020 was affixed at the above-mentioned address. ▪ Newspaper publication Newspaper publication was carried out on August 31, 2020 in the Kolkata editions of The Times of India (English daily), the Sanmarg (Hindi daily) and Bartaman (Bengali daily), and in the Agra editions of the Hindustan Times (English daily) and the Nab Bharat Times (Hindi daily) intimating the Noticee that an opportunity of personal hearing has been scheduled for September 02, 2020.
2	Raj Kumar Roy	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 1/38 Nelin Nagar, 1 Nang & 2 Nangpada, Kolkata Municipal Corporation, Garfa, Kolkata, West Bengal, India, 700078. The same was delivered. ▪ Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September

		02, 2020 was served in person at the above-mentioned addressed. The same was received by Subha Lakshmi Roy on August 19, 2020 for Rajkumar Roy.
3	Dipankar Basu	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 247C Raipur Road, 1st Floor, Kolkata, West Bengal-700092. The same was delivered. ▪ Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September 02, 2020 was served in person at the above-mentioned addressed. The same was received by Sumita Basu on August 17, 2020 for Dipankar Basu .
4	Hari Singh	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 17 Brijavihar Amarpur, Kalavari, Agra, Uttar Pradesh 283105. The same was not delivered. ▪ Newspaper publication Newspaper publication was carried out on August 31, 2020 in the Kolkata editions of The Times of India (English daily), the Sanmarg (Hindi daily) and the Bartaman (Bengali daily), and in the Agra editions of the Hindustan Times (English daily) and the Nab Bharat Times (Hindi daily) intimating the Noticee that an opportunity of personal hearing has been scheduled for September 02, 2020.

5	Manoranjan Roy	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 1st Floor 2/233/13/3 Sree Colony, LP161/11/4 Kolkata, West Bengal, India 700092. The same was delivered. ▪ Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September 02, 2020 was served in person at the above-mentioned addressed. The same was received by Maya Samadhar on August 17, 2020 for Manoranjan Roy.
6	Arup Thakur	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address Top Floor, 3201 Nayabad, LP-218/17, Kolkata, West Bengal-700099, India. The same was delivered. ▪ Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September 02, 2020 was served in person at the above-mentioned addressed. The same was received by Malabika Sen on August 15, 2020 for Arup Thakur.
7	Chandan Kumar Adhikary	▪ SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: Mauja-Pipulberya (J L No 149) Pipulberya-1, Tamluk, Purba Medinipur, West Bengal, India, 721649. The same was delivered.

		Newspaper publication Newspaper publication was carried out on August 31, 2020 in the Kolkata editions of The Times of India (English daily), the Sanmarg (Hindi daily) and the Bartaman (Bengali daily), and in the Agra editions of the Hindustan Times (English daily) and the Nab Bharat Times (Hindi daily) intimating the Noticee that an opportunity of personal hearing has been scheduled for September 02, 2020.
8	Subhajit Saha	- SCN dated June 27, 2018 was sent by Speed Post to the said Noticee at the address: 28-Hari Sava Street, Khidirpur, kolkata, West Bengal, India, 700023. The same was not delivered. - Copy of SCN dated June 27, 2018 was pasted at the above-mentioned address. - Hearing Notice dated July 29, 2020 for the personal hearing scheduled for September 02, 2020 was served in person at the above-mentioned addressed. The same was received by Bhaktibadhi Saha on August 13, 2020 for Subhajit Saha.

3.4. Noticees Nos. 1, 2, 3, 4, 7 and 8 have neither availed the opportunity of personal hearing nor filed any reply in response to the SCN.

3.5. A summary of the replies as submitted by the Noticees is provided hereunder:-

Noticee No. 5 (Manoranjana Roy)

3.5.1. The said Noticee has by way of his reply dated August 19, 2020, sent through his Advocate, Manas Dasgupta made submissions with respect to the SCN. In this regard, the Noticee has submitted that —

- a. he was arrested by the Economic Offences Wing of West Bengal in respect of Khejuri P.S. Case No. 47/2017, and the same was pending for adjudication before the Court of the Learned 3rd Additional District Judge, Tamluk, Purba Midnapur;
- b. he was in judicial custody from November 02, 2017 in connection with the above matter, and had been shifted to the IRIS Hospital due to health complications;
- c. he was also a party in a Writ Petition filed before the Calcutta High Court bearing no. WP 24110 (W) of 2016, where SEBI and the Economic Offences Wing of West Bengal had also been made parties;
- d. he was not aware of any proceedings initiated by SEBI and had ceased to be a director of Company back in 2013; and
- e. the present proceedings initiated against the Noticee must be dropped.

Noticee No. 6 (Arup Thakur)

3.5.2. The said Noticee by way of his replies dated August 31, 2020 and August 17, 2021 has denied all allegations made against him in the SCN. In this regard, the Noticee has submitted that —

- a. he was appointed as a Non-Executive Director of Pincon Securities Limited on 8th December, 2011 and he resigned from Pincon Securities Limited on April 09, 2015;
- b. Rajkumar Roy, an Executive (Promoter) Director and who was an Ex-Banker with CAIIB, was engaged in managing the day-to-day affairs of the Company;
- c. Rajkumar Roy, Chandan Adhikary and Subhojit Saha were part of the core team that was carrying on the day-to-day affairs of Pincon;
- d. He was never informed or given notice to participate in any of the Board meetings of the Company and was left in the dark about the affairs of Pincon;
- e. he was also not allowed to check the statutory registers of the Company, and had expressed his concerns to Rajkumar Roy on several occasions but no positive response came forth;

- f. he was not an authorised signatory of the Company anywhere, including the Bank Accounts of the Company, and he held no control over the flow of funds of Pincon;
- g. he was not acquainted with any person named M.K. Chourasia & Team, as mentioned in the Show Cause notice, and was neither involved in their appointment, nor in their alleged activities;
- h. he was not aware of the existence of 62 branch offices of the Company, and as per his knowledge there was only one office of the Company, situated at 7, Red Cross Place, Kolkata-700001, West Bengal;
- i. every director can't be liable for the actions and conduct of companies, but only those directors are liable who are aware of any contravention by virtue of receipt of proceedings of the board, or those who participated in such proceedings without objection, or where such contravention had occurred with their consent or connivance;
- j. Section 149(12) of the Companies Act, 2013 laid down that a non-executive director not being a promoter or key managerial person would only be held liable regarding such omissions or commissions by the company which had occurred within his knowledge and with his consent or connivance, or in cases where he did not act diligently;

- k. the Ministry of Corporate Affairs had issued directions to the Regional Directors, Registrars of Companies and Official Liquidators vide General Circular No. 1/2020 dated 2nd March, 2020, directing them not to initiate any civil or criminal proceedings against Independent Directors and Non-Executive Directors unless sufficient evidence existed against them;
- l. he could not be held responsible or accountable for the alleged violations of provisions of Sec. 12 of SEBI Act 1992 by the Company; and
- m. he should be provided with copies of any proof, evidence, records, documents etc. against him, which were in the possession of SEBI so that an appropriate response to allegations can be presented.

3.6. Upon having summarised the replies of the Noticees, I find it relevant to extract the applicable provisions of the SEBI Act, stated to have been contravened in the SCN.

Relevant Provisions

3.6.1. Section 12 of the SEBI Act

Registration of stock brokers, sub-brokers, share transfer agents, etc.

- (1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio

manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

(1A) ...

(1B) ...

(1C) ...

(2) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.

(3) The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations:

Provided that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.

4. Issues –

- I. Whether Pincon Securities Limited (Noticee No. 1) was acting as a Merchant Banker to the ‘Deemed Public Issue’ of LRN Finance without a valid registration from SEBI ?**

- II. Whether Raj Kumar Roy (Noticee No. 2), Dipankar Basu (Noticee No. 3), Hari Singh (Noticee No. 4), Manoranjan Roy (Noticee No. 5), Arup Thakur (Noticee No. 6), Chandan Kumar Adhikary (Noticee No. 7) and Subhajit Saha (Noticee No. 8), being directors of Pincon Securities, can be held responsible for the action of Pincon?**

5. Consideration and Findings –

Issue I- Whether Pincon Securities Limited (Noticee No. 1) was acting as a Merchant Banker to the ‘Deemed Public Issue’ of LRN Finance without a valid registration from SEBI?

5.1. No reply has been received from the Company in response to the SCN dated June 27, 2018. Prior to the issuance of the SCN, correspondence had been exchanged between SEBI and the Company. In this regard, reference is made to the letter dated March 06, 2014. By way of the said letter it had been submitted by the Company that it had been appointed as “*an ‘Arranger to the Issue’ for one of the Group Companies, i.e., LRN Finance Limited, for its Issue of Secured Redeemable Non Convertible Debentures aggregating to Rs. 30 Crore through Private Placement.*” Further, the Company has also stated in the letter that it was also “*acting as ‘Marketing Associates’ for Fixed Deposit Schemes of Rose Multistate Multi Purpose Cooperative Society Limited.*”

5.2. It is stated that the Company was registered, at the relevant time, as a Stock Broker with SEBI. It has already been brought out in the SCN that SEBI officials during their visit to the office of Pincon could not find any trading terminal in the premises, even though Pincon was registered as a Stock Broker. The reception area was occupied by agents arranging hundreds of bond papers/allotment letters issued by the group entities of Pincon Securities Limited to the gathered investors.

5.3. From the documents collected from the office of Pincon, an offer document of LRN Finance Limited for the Series – C “private placement of 3,00,000 rated, taxable, secured, non-convertible redeemable debentures of face value of Rs. 1000/- each for cash aggregating to Rs. 30.00 crores” was found. It is seen from the offer document that the said issue opened on July 01, 2013 and closed on September 29, 2013. Similarly, from the set of documents collected from the office of Pincon, another offer document of LRN Finance Limited for the Series– C “private placement of 3,00,000 rated, taxable, secured, non-convertible redeemable debentures of face value of Rs. 1000/- each for cash aggregating to Rs. 30.00 crores” was found. However, as per the said offer document the issue opened on January 01, 2014 and closed on March 25, 2014.

5.4. It is also noted from the Interim Order dated July 25, 2018 passed by SEBI, in the matter of LRN Finance Limited, that LRN Finance had issued debentures in three series namely, Series A during 2011-2012, Series B during 2012-2013 and Series C during 2013-2014. As regards Series D, which was undertaken in 2014-15, it has been claimed by LRN Finance that it did not raise any funds, even though a debenture trustee had been appointed for the same. The said Interim Order concludes that for the period April 2012 to March 2015, a total of at least Rs. 40 crore was raised from at least 4256 persons by way of issue of NCDs. This finding has become final in view of LRN Finance’s failure to file a reply to the said Interim Order.

- 5.5. The chronology of the debenture issues as submitted by LRN Finance match with the dates appearing in the documents collected from the offices of Pincon show that Pincon played a role in the debenture issues of LRN Finance.
- 5.6. In this regard, it would be relevant to refer to the definition of Merchant Banker as defined in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 (“**Merchant Bankers Regulations**”). Regulation 2 (cb) of the Merchant Bankers Regulations, defines Merchant Banker as “*any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management*”. Thus, a Merchant Banker is someone who is engaged in the business of managing an issue either by making arrangements regarding the selling, buying or subscription of the securities.
- 5.7. In the present case, it is seen from the above that Pincon had made arrangements for the sale/subscription of the debentures being issued by LRN Finance through its agents in its office, who were distributing materials and documents regarding the NCD issues of LRN Finance. Pincon has also submitted in its reply to SEBI that it was acting as an “Arranger to the Issue” with respect to LRN Finance Limited’s issue of Secured Redeemable Non-Convertible Debentures aggregating to Rs. 30 Crore, through Private Placement. So, going by the definition of a Merchant Banker, as defined in the Merchant Bankers Regulations, Pincon was certainly acting as a Merchant Banker.

5.8. Section 12 (1) of the SEBI Act provides that “(1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act”. So, for an entity to act as any intermediary listed above, and deal in securities, it is mandated in law for such an entity to first get registration under the appropriate regulations. In the present matter, Pincon was not registered as a Merchant Banker under the Merchant Bankers Regulations.

5.9. I note from the Interim Order dated July 25, 2018 passed by SEBI, in the matter of LRN Finance Limited, that the NCDs issued by LRN Finance, purportedly through private placement, were in fact public issues in violation of the provisions of Sections 56 and 60 of Companies Act, 1956. So, not only was Pincon assisting in the subscription/sale of the NCDs without being a registered Merchant Banker, but also selling NCDs which had been issued in clear violation of prevailing laws. I also note that the Directorate of Economic Offences, Kolkata vide its letter dated January 04, 2018 has informed SEBI of its action against the Pincon Group, including the seizure of properties belonging to the Pincon Group and arrest of sixteen persons associated with the said group. Further, from the replies received from Noticee Nos. 5 and 6, it is seen that the said Noticees are in judicial custody due to cases lodged against them by the State of West Bengal since November 02, 2017 and April 19, 2018 respectively. It has also come to my

knowledge that the Court of Additional District and Session Judge, 3rd Court, Tamluk, Purba Medinipur, has on October 03, 2020 in SPI (PIDEF) Case 01 of 2017 has convicted eight persons associated with the Pincon group, for *inter alia* fraudulently misappropriating and cheating investors of their money. The said eight persons are: Manoranjan Roy, Mousumi Roy, Dipankar Basu, Raj Kumar Ray, Binoy Singh, Hari Singh, Arup Thakur and Raghuja Shetty. The Noticees herein, i.e., Noticee Nos. 2, 3,4,5 and 6 are amongst the persons convicted in the above-mentioned matter.

5.10. Thus, I find that Pincon by assisting/associating with LRN Finance relating to the subscription/issue of the NCDs, as a Merchant Banker without obtaining registration under the Merchant Bankers Regulations has violated the provisions contained in Section 12 of the SEBI Act.

Issue II- Whether Raj Kumar Roy (Noticee No. 2), Dipankar Basu (Noticee No. 3), Hari Singh (Noticee No. 4), Manoranjan Roy (Noticee No. 5), Arup Thakur (Noticee No. 6), Chandan Kumar Adhikary (Noticee No. 7) and Subhajit Saha (Noticee No. 8), being directors of Pincon Securities, can be held responsible for the action of Pincon?

5.11. It has been alleged in the SCN that Noticee Nos. 3 to 8 having served on the board of directors of Pincon during the relevant period had also violated Section 12 of the SEBI Act along with the Company.

5.12.The details of the directors of the Company, as on January 27, 2016 are provided hereunder :

Table - 3

Noticee No.	Name	DIN	Designation	Date of Appointment at current designation	Date of Original Appointment	Date of Cessation
2	Raj Kumar Roy	03484607	Director	08/12/2011	08/12/2011	-
3	Dipankar Basu	00959988	Additional Director	03/04/2015	03/04/2015	-
4	Hari Singh	03609738	Director	26/08/2013	09/04/2012	-
5	Manoranjan Roy	02275811	Director	26/12/2012	08/12/2011	11/12/2013
6	Arup Thakur	03476120	Director	08/12/2011	08/12/2011	09/04/2015
7	Chandan Kumar Adhikary	05250128	Director	09/04/2012	09/04/2012	20/12/2012
8	Subhajit Saha	02658455	Director	08/12/2011	08/12/2011	26/06/2012

5.13.It has already been established that Pincon by acting as an arranger for the debenture issues of LRN Finance was acting like a Merchant Banker, without the requisite registration mandated under the SEBI Act.

5.14. In this regard, no reply has been received from Noticee Nos. 2, 3, 4, 7 and 8.

Replies to the SCN have been received from Noticee Nos. 5 and 6. It is noted that from the replies received, only the reply of Noticee No. 6 is on merits. Noticee No. 6, in his reply submitted to SEBI, has refuted the allegations made in the SCN. The same have been captured in the previous part of this order, and accordingly are not being reproduced here. It is, however, relevant to briefly mention herein the principal grounds of defence taken by the said Noticee in respect of the allegations made in the SCN –

- a. the Noticee was a Non-Executive Director from 8th December, 2011 to April 09, 2015;
- b. Rajkumar Roy, Chandan Adhikary and Subhojit Saha carried out the day-to-day affairs of Pincon;
- c. the Noticee was never informed or given notice to participate in any of the Board meetings of the Company and had no knowledge or involvement in the activities of the Company; and
- d. all documents/proof in the possession of SEBI against the Noticee should be provided.

5.15. Noticee No. 6 has sought all documents/proof in the possession of SEBI to be provided. From the SCN and Annexures. I note that the copy of the reference received from the District Officer Gaya; SEBI letter dated February 06, 2014; Pincon Letter dated February 16, 2014; SEBI letter dated February 27, 2014; Pincon

letter dated March 06, 2014 have been provided with the SCN. These are the relevant documents relied upon by SEBI for the present proceedings. Hence, I do not find any merit in the contention that all documents in the possession of SEBI should be provided to the Noticee.

5.16. Noticee No. 6 has submitted the disclosures made by him in “FORM DIR-12”, which has been filed with the Ministry of Corporate Affairs. It is seen from the same that the Noticee ceased to be a director of Pincon with effect from April 09, 2015. That being the case, there is no doubt that the Noticee was a director during the time LRN Finance came out with its debenture issues, i.e. between 2011 to 2015, and during the facilitation provided by Pincon as an “Arranger” for the sale/subscription of the issues of debentures of LRN Finance.

5.17. It has been argued by the Noticee that he was never informed or given notice to participate in any of the Board meetings of the Company and had no knowledge or involvement in the activities of the Company. Further, it has been submitted by him that Rajkumar Roy, Chandan Adhikary and Subhojit Saha carried out the day-to-day affairs of Pincon.

5.18. In this regard, it is stated that the law casts a duty on a director to attend the board meetings and maintain sufficient knowledge and understanding of the company’s business; and, as such, a director must act honestly and without negligence, with such amount of care as an ordinary man would be expected to take, as if the business were his own. Further, directors have, both collectively and individually, a continuing duty to acquire and maintain sufficient knowledge

and understanding of the company's business to enable them to properly discharge their duties as directors. So, the Noticee's claim that he was never given any notice of the board meetings of the Company and had no knowledge of the affairs of the Company cannot be accepted. The Noticee cannot now take shelter in the purported ignorance that flowed from his own negligence and dereliction of duty.

5.19. From the above, I find that Noticee No. 6 cannot be absolved from the responsibility of the acts of Pincon just because he was a non-executive director as he had wilfully not attended the board meetings of Pincon and had not been diligent enough to acquaint himself with the workings of the Company.

5.20. As regards Noticee Nos. 2, 3, 4, 7, 8 and 9, it has already been stated that in spite of multiple opportunities no replies from the said Noticees have been received. Further, no reply on merits has been received from Noticee No. 5. In this regard, reliance is placed on the material on record.

5.21. It is seen from Table No. 3 that Noticee Nos. 3, 5, 7 and 8 were directors in the Company between 2012 and 2015. Similarly, Noticee Nos. 2 and 4 were directors in the Company from 2011 and 2012 respectively till January 27, 2016 (the day when the information was gathered from the MCA website).

5.22. So, from the facts brought out in the preceding paragraphs, it is seen that Noticee Nos. 2, 3, 4, 5, 7 and 8 had been directors on the board of Pincon between 2012

and 2015 when NCDs were issued by LRN Finance, and the consequent facilitation by Pincon with respect to the sale/subscription of the said NCDs.

5.23. It has already been brought out above that a director is duty bound to attend the Board meetings and maintain sufficient knowledge and understanding of the business. The Noticees herein have not availed of the opportunities provided to show that they had acted in a diligent and reasonable manner while dealing with the affairs of the Company. Also, nothing on record suggests that the said Noticees have acted in a diligent manner as directors of a company. Further, reference is made to Rule 8 (4) and of the Securities Contract (Regulation) Rules, 1957. Rule 8 (4) reads,

“(4) A company as defined in the Companies Act, 1956 (1 of 1956), shall be eligible to be elected as a member of a stock exchange if—

(i) such company is formed in compliance with the provisions of section 322 of the said Act; (ii) a majority of the directors of such company are shareholders of such company and also members of that stock exchange; and

(iii) the directors of such company, who are members of that stock exchange, have ultimate liability in such company.”

Similarly, Rule 8 (4A) reads,

“(4A) A Company as defined in the Companies Act, 1956 (1 of 1956) shall also be eligible to be elected as a member of Stock Exchange if—

- (i) *such company is formed in compliance with the provisions of section 12 of the said Act;*
- (ii) *such company undertakes to comply with such financial requirement and norms as may be specified by the Securities and Exchange Board of India for the registration of such company under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);*
- (iii) *the directors of the company are not disqualified for being members of a stock exchange under clause (1) except sub-clause (b) and sub-clause (f) thereof or clause (3) except sub-clause (a) and sub clause (f) thereof and the Directors of the company had not held the offices of the directors in any company which had been a member of the stock exchange and had been declared defaulted or expelled by the stock exchange; and*
- (iv) *not less than two directors of the company are persons who possess a minimum two years' experience: (a) in dealing in securities; or (b) as portfolio managers; or (c) as investment consultants.”*

From a perusal of the above, it is seen that where a company is elected to be a member of a stock exchange to be a stock-broker, the ultimate liability rests with the directors of such company. Also, not less than two directors of the company should possess a minimum two years' experience in the business of dealing in securities and investments. The intent of these provisions is to ensure that the directors of a company that acts as a stockbroker are familiar with the business and are invested in the business of the stockbroker. Thus, the directors of a company, which is registered as a stockbroker, are assigned with a greater degree of

involvement in the affairs of the business, and as such cannot have a hands-off approach.

5.24. In view of the above, I find that Noticee Nos. 2, 3, 4, 5, 6, 7 and 8 have violated Section 12 of the SEBI Act.

6. Conclusion –

6.1. It has already been established that Pincon and its directors by assisting/associating with LRN Finance relating to the subscription/issue of the NCDs have violated the provisions contained in Section 12 of the SEBI Act. I also note that the *prima facie* findings in the Interim Order in the matter of LRN Finance have automatically become final owing to the absence of any reply from LRN Finance. From this, I gauge that the deemed public issue of NCDs of LRN Finance, whereby a total of at least Rs. 40 crore was raised, was done with the facilitation by Pincon Securities as the “Arranger of the Issue”, without proper registration from SEBI. In the Interim Order in LRN Finance, ten of its directors had been made Noticees. I note that out of those ten, six entities, namely, Raj Kumar Roy, Arup Thakur, Chandan Kumar Adhikary, Hari Singh, Manoranjan Roy and Subhajit Saha are Noticees in the present matter, as directors of Pincon. Thus, there is a clear relation and association existing between Pincon group and LRN Finance.

7. Directions –

7.1. I, in exercise of powers conferred upon me under sections 11B the Securities and Exchange Board of India Act, 1992 hereby pass the following directions:

7.1.1. The Noticees, as listed in the table below, shall be restrained from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, and associating with the securities market in any manner, whatsoever:

Sr. No.	Noticee	Period (in years)
1	Pincon Securities Limited	5
2	Raj Kumar Roy	5
3	Dipankar Basu	5
4	Hari Singh	5
5	Manoranjan Roy	5
6	Arup Thakur	5
7	Chandan Kumar Adhikary	5
8	Subhajit Saha	5

7.1.2. The Noticees, as listed in the table below, shall be restrained from holding any position of Director or key managerial personnel in any listed company or any intermediary registered with SEBI, or associating themselves with any listed

public company or a public company which intends to raise money from the public or any intermediary registered with SEBI for the respective periods as provided hereunder:

Sr. No.	Noticee	Period (in years)
2	Raj Kumar Roy	5
3	Dipankar Basu	5
4	Hari Singh	5
5	Manoranjan Roy	5
6	Arup Thakur	5
7	Chandan Kumar Adhikary	5
8	Subhajit Saha	5

7.2. The above directions shall come into force with immediate effect.

7.3. The obligation of the Noticees debarred in the present Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees debarred in the present Order, in the F&O segment of the Stock Exchanges, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

- 7.4. The period of debarment as directed by way of this Order shall run concurrently in respect of any Noticee, as mentioned in 7.1 above, who may already be undergoing any period of debarment.
- 7.5. These directions are without prejudice to any other action against the Noticees which may be initiated by SEBI.
- 7.6. A copy of this order shall be served upon the Noticees immediately. A copy shall be served on the recognised Stock Exchanges and the Depositories for necessary action.
- 7.7. A copy of this order may also be sent to the Government of Bihar and Ministry of Corporate Affairs for information.

Place: Mumbai

Date: October 26, 2021

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