

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF GURU TEAK INVESTMENTS (MYSORE) PRIVATE LIMITED

In respect of:

SCN no.	Name of the Noticee	PAN/DIN
SEBI/SRO/CIS/20143/2010	Guru Teak Investment (Mysore) Private Limited	PAN: AABCG5027H
	Mr. Gangadara Lingadevaraiah also known as Mr. Gangadhar , Managing Director	DIN: 01925150
SEBI/SRO/CIS/20666/2010	Mrs. Lakshmi Narsappa, Director	-
	Mrs. Nagamma Manjaiah, Director	DIN: 02971793
	Mr. H.A. Srinivas Murthy, Director	-

- The present proceedings are emanating from the Show Cause Notices dated October 05, 2010 (hereinafter referred to as the "**SCN**") issued by the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") against Guru Teak Investment (Mysore) Private Limited (hereinafter referred to as the "**Company/Noticee Company**") and its Directors viz., Mr. Gangadhar, Mrs. Lakshmi Narsappa, Mrs. Nagamma and Mr. H.A. Srinivas Murthy.
- In order to appreciate the facts of the present matter and to effectively adjudicate the charges, it is imperative to first briefly lay down the details of relevant events that have so far held the ground of this matter:
 - The *Company* had applied for registration under the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as "**CIS Regulations**") and was granted Provisional Registration by SEBI as Collective Investment Management Company

(hereinafter referred to as “**CIMC**”) on July 01, 2001, though with certain conditions as per the provisions of CIS Regulations.

- II. The *Company* failed to comply with the said conditions, consequently, SEBI vide its order dated February 18, 2005 directed the *Company* to wind up its Collective Investment Scheme (hereinafter referred to as “**CIS**”) and refund the investors.
- III. The *Company* indulged in multiple litigations with SEBI at different times (details of which will be mentioned in later part of the present order) and its last petition, viz., M/s Guru Teak Investments (Mysore) Private Limited and another Vs. Union of India and others, WP no. 2243-2244 of 2015, came to be dismissed by the Hon’ble Karnataka High Court, vide order dated September 23, 2021, with the following observations:

“From the above facts, it becomes clear that the petitioners with an intention to avoid hearing of the matter before WTM have indulged in these proceedings. If according to the petitioners, the notice of information memorandum to the investors under RPAD is not required, it is open to them to appear before WTM and convince on the said aspects....

32. For the above said reasons, the petition is dismissed with cost of Rs. 1,00,000/- payable to respondent No. 2 on or before 25.10.2021.

The petitioners shall appear before the WTM on 25.10.2021 without any further notice. On such appearance, WTM shall hear the petitioners and pass the orders in accordance with law”

(Emphasis supplied)

3. It is noted from the records that in due compliance with the aforesaid directions of the Hon’ble High Court, a personal hearing in the matter was fixed for October 25, 2021. The intimation regarding the date and time of personal hearing was intimated at the address of the *Notices* available on records viz., (i) 93, LIC Colony, Near Shankar Math Circle, Basaveswanagar Main Road, Bengaluru-560079; and (ii) 874, Raineo House, 1st Floor, Dr. Modi Hospital Road, West of Chord Road, Bengaluru-560086. However, the *Company* or its Directors could not be found at the said addresses and therefore, the said letter remained undelivered. It is also noticed that the hearing notice was also sent at the email address of the *Company* as available on the records of Ministry of Corporate Affairs. However, no one appeared for the personal hearing so scheduled, even though the above date was fixed by the Hon’ble High Court itself while disposing of the above petition.
4. As stated above, the aforesaid hearing was scheduled in compliance with the directives of the Hon’ble Karnataka High Court and considering the fact that the issue under adjudication was pending for long, it was thought proper to provide adequate opportunities to the *Notices* to

represent and defend themselves effectively. Accordingly, efforts have been made to serve the *Notices* through all possible means and for the said purpose, another personal hearing was scheduled for April 01, 2022. The records before me indicate that efforts have been made so as to obtain the address of the *Notices* by contacting the Advocates who represented the petitioners (*Company* and the Managing Director) before the Hon'ble Karnataka High Court, through the Advocates representing SEBI. However, the said efforts also did not yield in the desired outcome as the Advocates representing the said parties also expressed that they are not having any communication with their clients. Accordingly, after exhausting all possible ways, the notice for the said hearing was published in the following newspapers on March 13, 2022:

Sr. No.	Newspaper	Edition
I.	Times of India- English Language	Bengaluru Edition
II.	Rajasthan Patrika- Hindi Language	Bengaluru Edition
III.	Vijay Karnataka- Kannada Language	Bengaluru Edition

5. It is noted that despite effecting service of the hearing notice through substituted mode, no one turned up for personal hearing fixed on April 01, 2022. Thus, the non-cooperative approach of the *Notices* is constraining me to proceed to adjudicate the matter on its merits, *ex-parte*.
6. Before I proceed to appropriately adjudge the merits of the present case, I find it worthwhile to refer and discuss the relevant provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”), CIS Regulations, which have a bearing on the allegations made against the *Notices*.

I. Section 11(2) (c) of SEBI Act, 1992 reads as:

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

.....

(c) registering and regulating the working of venture capital funds and collective investment schemes, including mutual funds;....”

II. Section 12(1B) of the SEBI Act, 1992 reads as:

“No person shall sponsor or cause to be sponsored or carry on or cause to be carried on any venture capital funds or collective investment schemes including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations:

Provided that any person sponsoring or causing to be sponsored, carrying on or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (d) of sub-section (2) of section 30.

III. Section 11 AA of the SEBI Act, 1992 defines collective investment scheme as under:

Section 11AA

“Collective investment scheme.

11AA. (1) Any scheme or arrangement which satisfies the conditions referred to in sub-section (2) or sub-section (2A) shall be a collective investment scheme:

(2) Any scheme or arrangement made or offered by any person under which,—

(i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement;

(ii) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement;

(iii) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;

(iv) the investors do not have day-to-day control over the management and operation of the scheme or arrangement.

(2A) Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act.

....”

7. At the outset, I observe that there is no dispute to the fact the schemes of the *Company* were in the nature of collective investment scheme, due to the fact that the *Company* itself had applied for provisional registration under the CIS Regulations and was accordingly, vide letter dated July 09, 2001, granted provisional registration under Regulation 71 (1) of the CIS Regulations. The said registration was valid from July 01, 2001 to June 30, 2003. The said registration, was

however, granted with certain conditions which, *inter alia*, stipulated that the *Company* shall not launch any new scheme or raise money from the investors even under the existing scheme (s).

8. The events that unfolded after the aforesaid communication was issued by SEBI would show that the *Company* never had even an *iota* of intention to comply with the regulatory framework in letter or spirit and by engaging in multiple litigations with SEBI, it has been successful in buying out more and more time and in that manner has and escaped the regulatory actions.
9. It is noted from the records that vide letter dated November 27, 2003, the *Noticee Company* was informed that the provisional registration granted by SEBI has expired on June 30, 2003. It was further stated in the said letter that as the *Company* has failed to comply with the conditions such as getting the schemes credit rated, appraised, formation of trust etc., within the stipulated period of 2 years, the *Company* is required to wind up the existing schemes and make refunds to the investors. The said letter also asked the *Company* to send an Information Memorandum to the investors within 2 months from the receipt of the said letter dated November 27, 2003. In response to the aforesaid letter, the *Company* vide its letter dated December 11, 2003 admitted that it has not been able to comply with the requirements stipulated under the CIS Regulations, though it cited various reasons like the labour working in forest area getting scared due to kidnapping of Kannada Cine Actor Dr. Rajkumar by Veerappan. The *Company* stated that it has already constituted a Trust and sought more time to comply with the other conditions. In response to the above, SEBI, vide its letter dated January 23, 2004, informed the *Company* that the request seeking extension of time has not been acceded to and also advised the *Company* to refund the investors of its CIS their dues and submit the 'Winding up and repayment report' (hereinafter referred to as "**WRR**"), failing which appropriate actions would be taken by SEBI.
10. The *Company* vide its letter dated May 02, 2004 reiterated its request for seeking more time to comply with the conditions imposed by SEBI while granting the provisional registration. In the said letter, the *Company* also informed that it has, till March 31, 2004, collected a total of INR 55.00 Crore from investors. The said letter was responded to by SEBI vide letter dated May 27, 2004. In the said letter, SEBI noted that the *Company* has collected INR 55 Crore as on March 31, 2004, however, in its application of May 05, 2000 seeking provisional registration, the *Company* had stated to have collected INR 1.48 Crore only till March 31, 2000, thereby indicating that it has further mobilised INR 53.52 Crore during the period of April 01, 2000 to March 31, 2004. The said letter also sought explanation from the *Company* by pointing out to

the fact that one of the condition for grant of provisional registration was that the *Company* shall not raise fresh money from investors even under its existing schemes. The *Company*, in response to the aforesaid, issued a letter dated June 02, 2004 and defended its act of mobilisation of money by claiming that the nature of project undertaken by it (plantation of teak trees) required continuous investments on activities like manure, pesticides etc., and further asserted that all the collections highlighted by SEBI have been made from the existing investors.

11. As the *Company* had not only acted in complete defiance of the condition stipulated by SEBI while granting provisional registration but also had knowingly failed to submit the WRR even after categorically having been asked by SEBI, consequently, after granting a personal hearing, an order dated February 18, 2005 came to be passed by SEBI, directing the *Company* to wind up its existing schemes and repay the investors in the manner as specified under Regulation 73 of the CIS Regulations, within a period of 5.5 months from the date of receipt of the said order and submit a WRR to SEBI. The said order dated February 18, 2005 came to be challenged before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**Hon'ble Tribunal/ SAT**") and during the pendency of such appeal, the *Company* had deposited INR 50 Lakh with SEBI, as was directed by the Hon'ble SAT. The said appeal finally culminated in SAT's order dated June 28, 2005, whereby the matter was remanded back to SEBI for fresh disposal in accordance with law and the amount of INR 50 Lakh was also directed to be retained by SEBI. In compliance of the said order dated June 28, 2005 passed by the Hon'ble Tribunal, SEBI passed another order dated February 08, 2006 wherein the same directions for repaying the investors within 5.5 months and filing of WRR with SEBI, were passed against the *Company*. With respect to the amount of INR 50 Lakh deposited by the *Company* with SEBI, it was directed in the said order that the said amount with interest would be returned to the *Company* for utilising the same for making refunds to the investors.
12. The said order dated February 08, 2006 was also challenged by the *Company* before the Hon'ble SAT under Appeal no. 48 of 2006. Vide an *interim* order dated February 28, 2006, the Hon'ble SAT stayed the direction of winding up of the existing schemes and making repayment to the investors. Besides, the said order also directed that the *Company* will prepare the Information Memorandum as per Regulation 73 of the CIS Regulations and send a draft to SEBI. The *Company* was further directed to include suggestions, if any, made by SEBI before sending the Information Memorandum to the investors seeking their positive consent. It was further

directed that after the views of the investors are received by the *Company*, a summary of such views would be placed for the consideration for the further orders from the Hon'ble Tribunal. The said order also directed that the *Company* will not mobilize any further funds from the investors.

13. As the *Company* did not incorporate many of the changes suggested by SEBI in the Information Memorandum, therefore, to bring the said facts on record, an application was filed by SEBI before the Hon'ble Tribunal. On the other hand, the *Company* also filed an application before the Tribunal and claimed that it had obtained consent of 52.18% of the investors and thus prayed that it may be allowed to continue with its schemes.
14. While the aforesaid appeal was pending adjudication before the Hon'ble Tribunal, the *Company* filed another Writ Petition (WP no. 3922/2007) before the Hon'ble Karnataka High Court and challenged the definition of "net-worth" as laid down under the CIS Regulations. The Hon'ble Karnataka High Court stayed the proceedings in the Appeal no. 48 of 2006, pending before the Hon'ble SAT, however subsequently, vide order dated July 08, 2008, the said Writ petition was dismissed by the Hon'ble High Court and as a result, the stay granted on the proceedings before the Hon'ble SAT got lifted.
15. Subsequently, the Hon'ble SAT vide its order dated October 21, 2008, dismissed the aforesaid Appeal no. 48 of 2006 and imposed a cost of INR 25,000 on the *Company*. The important observations of the Hon'ble SAT, relevant for the present proceedings recorded while dismissing the appeal, are as under:
 - I. The *Company* was operating ten collective investment schemes before the CIS Regulations came into force. The *Company* was granted a provisional registration, subject to compliance with certain conditions and as the *Company* did not comply with the conditions so imposed, SEBI vide its order dated February 08, 2006 directed the *Company* to wind up the schemes.
 - II. The land acquired by the *Company* has been registered in the names of the Managing Director, other Directors etc., and has not been transferred to the Trust formed by the *Company*.
 - III. The *Company* has been taking investments from the investors till March, 2005, and during the period of April 01, 2000 to March 31, 2004, the *Company* had collected INR 53.52 Crore.

IV. In the Information Memorandum pertaining to the scheme B-25, misleading statements have been made so as to lure the small time investors (having small investment of INR 1,000/- each) to stay invested in the scheme. Such investors are residing in remote villages of Karnataka and other states. The *Company* has failed to incorporate the suggestions made by SEBI in the Information Memorandum before sending the same to the investors.

(emphasis supplied)

16. The Hon'ble SAT has further directed that the *Company* shall wind up the schemes and repay the investors in accordance with the Regulation 73 of the CIS Regulations. The Hon'ble SAT also clarified that the *Company* will send fresh Information Memorandum to its investors after getting the same vetted from SEBI, pursuant to which, the amount of INR 50 Lakh along with interest shall be released to the *Company* for utilising it towards repayment to the investors.
17. It is worthwhile to mention here that the *Company* had challenged the aforesaid order dated October 21, 2008 of the Hon'ble Tribunal in an appeal before the Hon'ble Supreme Court of India, and the said appeal also came to be dismissed vide order dated April 02, 2009 of the Hon'ble Supreme Court.
18. Thereafter, vide its letter dated May 14, 2009, SEBI advised the *Company* to comply with the directions of the Hon'ble SAT passed vide order dated October 21, 2008. The *Company* vide its letter dated June 15, 2009 submitted copy of fresh Information Memorandum. It is noted from the records that vide its letter dated July 17, 2009, SEBI provided certain comments on the Information Memorandum and further advised the *Company* that such Information Memorandum shall be communicated to the investors individually through Registered Post and the same also has to be published in the newspapers. The above said letter of SEBI was followed by a reminder dated November 26, 2009 and vide letter dated January 12, 2010, the *Company* was advised to furnish the WRR, failing which SEBI would initiate actions as per the law.
19. As the *Company* did not file the WRR, a show cause notice dated October 05, 2010 (hereinafter referred to as "**SCN**") was issued to it and its Directors, and the said SCN forms the subject matter of the present proceedings. However, as a part of its dilatory tactics, the *Noticee Company* once again indulged into forum shopping and challenged the said SCN in WP no. 9699-9700 of 2011 before the Hon'ble Karnataka High Court, but vide order dated November 18, 2013, the said WP also came to be dismissed.

20. Subsequently, the *Company* again initiated dialogue with SEBI and vide its letter dated December 02, 2013, it requested SEBI to withdraw the SCN and permit it to furnish the Information Memorandum to the investors personally instead of Registered Post and Newspaper publications, so as to enable the *Company* to explain the contents of the Information Memorandum for obtaining the positive consent of the investors. The *Company* also requested SEBI for a personal hearing in the matter.
21. In view of the request so made and in order to comply with the principles of natural justice, a personal hearing in the matter was scheduled on December 30, 2014 and hearing notice dated December 09, 2014 was issued to the *Company* and its Directors. However, based on the request for adjournment received from the Managing Director citing his ill-health and unavailability of the Counsel, the personal hearing was rescheduled to February 10, 2015. It is further noted from the records that the hearing notice dated January 22, 2015, containing the intimation for the date of hearing to be February 10, 2015 could not be served either by post or by hand as the last known addresses of the *Notices* were closed and thus the hearing notices were affixed on the said last known address.
22. It is noted that in the meanwhile, a letter dated February 03, 2015 was received from the Advocates of the *Company* along with the copy of an interim order dated January 22, 2015 passed by the Hon'ble Karnataka High Court in the WP no. 2243-2244 of 2015, wherein Hon'ble High Court has directed that all further proceedings in pursuance of the notices dated December 09, 2014 to be stayed. Eventually, vide order dated September 23, 2021, the aforesaid WP was dismissed and the Petitioners therein (*Company* and its Managing Director Mr. Gangadhar) were directed to appear before SEBI on October 25, 2021. However, as stated earlier, the hearing notice intimating the timing of personal hearing could not be served upon the last known addresses of the *Notices* nor the *Notices* chose to appear before SEBI despite the date of personal hearing was fixed by the Hon'ble High Court in a petition filed on behalf of the *Noticee Company* itself and by Mr. Gangadhar, its Managing Director, also a *Noticee* herein. Further, the hearing notice for the subsequent hearing dates were published in multiple newspapers, but those efforts also went in vain as no one appeared for the said hearing.
23. I have perused the SCN and I observe that the central charge levelled in the SCN is that the *Company* undeniably engaged in running CIS without having proper registration and applied for provisional registration, which was granted to it subject to certain conditions and the facts on record clearly suggest that the *Company* has not only flagrantly violated the conditions

stipulated while granting the provisional registration to it but also knowingly indulged in series of litigations to delay and drag the process in view of the glaring fact that it has failed to file the WRR with SEBI which it was mandatorily and statutorily required to make after making repayments to the investors of its CISs. By failing to comply with such statutory conditions, the *Company* has also failed to comply with the directions passed by SEBI through its earlier orders and also has failed to comply with the directives of the Hon'ble SAT asking it to incorporate the suggestions of SEBI in the Information Memorandum. The deliberate ill motive of the *Noticee Company* was so apparent and evident that, it compelled the Hon'ble Karnataka High Court to make observation that "From the above facts, it becomes clear that the petitioners with an intention to avoid bearing of the matter before WTM have indulged in these proceedings.....". The aforesaid observation in itself shows the ostensibly defiant conduct of the *Noticee Company* displayed by it at each and every stage and the delaying tactics it has resorted to playing with the hard earned money of the innocent investors but also to show complete disrespect to the law of the land so much so that the *Noticees* did not bother to appear before SEBI, even though the date for further appearance was fixed by the Hon'ble High Court itself while disposing of the Writ Petition filed by it. Under the circumstances, the conduct of the *Company* and material on records show that the *Company* does not deserve any leniency and requires to be treated with firmness as per law.

24. I note that there is nothing on record so as to controvert the charges made in the SCN and instead when I peruse the records of the present case, it is writ large as to how the *Company* has played every trick available on book so as to prolong the regulatory actions against it. I observe that despite taking the provisional registration from SEBI which was conditional in nature *inter alia*, stipulating that it shall not raise any further funds from the investors even in the existing collective investment schemes, the *Company* unabashedly went ahead and raised INR 53.52 Crore in a period of 4 years from April 01, 2000 to March 31, 2004. It is noted that the when SEBI had sought explanation for such a blatantly defiant conduct, the *Company* was audacious enough to state that it wants to continue as a 'going concern' and, had it not taken money from the investors, it would have defaulted on its payments towards the investors. I observe that such a stand taken by the *Company* glaringly reflects its scant regard for the regulatory directives of SEBI which were infact aimed at protecting the interest of the investors who have invested in the schemes being run by the *Company*. It may not be out of place to mention here that the *Company* had candidly admitted that it had 4.79 Lakh investors; 28 branches all over Karnataka and was also having around 35000 field executives. It is also of

pertinence to record that in terms of the Information Memorandum dated September 28, 2006, which formed the part of the Appeal no. 48/2006 filed before the Hon'ble SAT, the *Company* had humongous outstanding of INR 104,88,98,655, i.e., around INR 104.89 Crore to its investors. The scheme wise break-up of the said amount is mentioned in the table below:

Name of the each Scheme	No. of Investors under each scheme	Amount mobilised under each scheme and Payable to the Investors (in rupees)
A 12 years	24816	3,58,67,000
A1 20 years	2029	41,29,770
A1 20 years	6595	2,16,94,250
A1 25 years	210609	51,20,66,250
B1 20 years	2051	67,43,000
B 20 years	8384	41,92,300
B1 20 years	9014	7,57,62,250
B 20 years	13836	2,31,64,500
B 25 years	190598	23,42,96,300
C1-9 years	11930	13,09,82,035
TOTAL	479862	104,88,98,655

25. I note that the obstinacy expressed by the *Company* to continue as a going concern and continue collecting money from the public was only a ploy made by it to buy more time from the regulator, by projecting that the investments made by it have been utilised towards the scheme itself. On the one hand, the *Company* kept on communicating with SEBI, and on the other hand, it kept on engaging in litigation in multiple fora, details of which have already been captured adequately earlier in the present order. The actions of the *Company* speak volume about its dubious intent when one notices that despite the fact that it had challenged the order of SEBI dated February 08, 2006 before the Hon'ble SAT in a statutory appeal, it also filed a Writ Petition before the Hon'ble Karnataka High Court challenging the definition of "networth" laid down under the CIS Regulations, and by virtue of the stay granted by the Hon'ble High Court, the proceedings before the Tribunal had to be kept in abeyance for long. Further, it is also noted that the *Company* had challenged the letter of SEBI dated February 15,

2011 (wherein the *Company* was advised to file a compliance report on its actions with respect to circulation of information memorandum and redressal of complaints) before the Hon'ble Karnataka High Court and when such petition was dismissed vide order dated November 18, 2013, the *Company* requested SEBI to provide an opportunity of personal hearing. When SEBI came forward to provide personal hearing, a request for adjournment was made and the hearing notices issued for the subsequent date came to be challenged in a Writ Petition, and such petition ultimately got dismissed with cost of INR 1 Lakh imposed on it. I deem it fit to capture few of the observations made by the Hon'ble High Court while dismissing the said Writ Petition, which would show as to how, the *Company* has abused the legal remedies available under law only for time buying and prolonging the proceedings:

“25. The petitioners went on challenging the actions of the respondents before SAT, before the Hon'ble Supreme Court as well as before this Court at every stage and lost them. In the matter of submitting the information memorandum only, they dragged the matter upto 18.11.2013 i.e., the date of passing of the order by this Court in W.P. Nos. 9699-9700/2011...

29. The petitioners successfully dragged the matter regarding the submission of the information memorandum from 2006 to 2014. The contention that Annexures-H and H1 are the show cause notices deserve no merit on the apparent reading of those documents. After receiving Annexure-H and H1, the petitioners approached this Court in the above matter and by virtue of the interim order passed in this case, they have dragged the matter for another seven years.

30. From the above facts, it becomes clear that the petitioners with an intention to avoid hearing of the matter before WTM have indulged in these proceedings.

32. For the above said reasons, the petition is dismissed with cost of Rs. 1,00,000/- payable to respondent No. 2 on or before 25.10.2021.”

26. It has been described in the preceding paragraph as to how the *Company* has indulged in repeated litigations by exaggerating the procedural issues. Even despite pendency of statutory appeal before the Hon'ble SAT, the *Company* has been seen to have filed separate Writ Petition and got the proceedings of statutory appeal stayed in its favour. The conduct on the part of the *Company* can best be described as “forum shopping” which has been described by the Hon'ble Supreme Court of India in *Union of India and others Vs. Cipla Limited* [MANU/SC/1345/2016] as: “...148. A classic example of forum shopping is when litigant approaches one Court for relief but does not get the desired relief and then approaches another Court for the same relief.”

Further, on many other occasions, the Hon'ble Supreme Court and other courts have condemned the practice of forum shopping and in one such recent case [*Vijay Kumar Ghai and Ors. vs. The State of West Bengal and Ors.* -MANU/SC/0348/2022], the Hon'ble Supreme Court has *inter alia* held: “*Forum shopping has been termed as disreputable practice by the courts and has no sanction and paramountcy in law.*”

27. It is also relevant to mention here that time and again, the Hon'ble Courts have observed that a person who approaches for relief from the judicial system, should come with clean hands. In *S.P. Chengalvaraya Naidu (Dead) by LRs. v. Jagannath (Dead) by LRs. and Ors.* [MANU/SC/0192/1994], the Hon'ble Supreme Court has *inter alia* held: “*The courts of law are meant for imparting justice between the parties. One who comes to the court, must come with clean hands. We are constrained to say that more often than not, process of the court is being abused. Property-grabbers, tax-evaders, bank-loan-dodgers and other unscrupulous persons from all walks of life find the court-process a convenient lever to retain the illegal gains indefinitely. We have no hesitation to say that a person, who's case is based on falsehood, has no right to approach the court. He can be summarily thrown out at any stage of the litigation.*”

28. In the present case, every time the *Company* had knocked the doors of the Hon'ble Courts, it has faced rejections and on two such occasions, monetary costs have also been imposed on the *Company* and despite the last decision of the Hon'ble High Court dismissing its petition, the *Company* has remained defiant and non-compliant and has not joined the present proceedings.

29. After noting the conduct of the *Company* as narrated above in detail, I observe that the *Company* was running ten collective investment schemes and in terms of the provisions of CIS Regulations, a provisional registration was granted by SEBI to the *Company*, *albeit* with certain conditions. As can be noted from the order of SEBI dated February 08, 2006, that the *Company* was found to be non-compliant on multiple counts viz., non-appointment of Trustees in terms of the CIS Regulations on the Trust formed by the *Company*; negative network; auditing of accounts etc. I may hasten to add here that even in the proceedings before the Hon'ble Tribunal (in Appeal no. 48 of 2006), it was admitted on behalf of the *Company*, that it has not been able to appoint Trustees in terms of the CIS Regulations nor has it been able to achieve the necessary network requirements as laid down under the CIS Regulations. Thus, all along, instead of paying any heed to the conditions of the provisional registration; directive passed

vide various SEBI orders and the directions of the Hon'ble SAT, the *Company* kept the battlefield of litigation open with SEBI.

30. To sum up the aforesaid discussions, I observe that vide order dated February 08, 2006 of SEBI and as upheld by the Hon'ble SAT, the *Company* was directed to wind up the collective investment schemes in a manner as specified in Regulation 73 of the CIS Regulations within a period of 5.5 months, however, it failed to do so. The Hon'ble Tribunal had also directed the *Company* to send Information Memorandum to its investors after getting the same vetted from SEBI, however, there is nothing on record to indicate that the *Company* has issued Information Memorandum after incorporating the suggestions made by SEBI. The conduct of the *Company* shows that it always initiated one or the other litigation against the actions of SEBI and all in all, the *Company* has always played hide and seek with the regulatory directives of SEBI. The utterly defiant attitude of the *Company* is also writ large from the fact that huge costs have been imposed on it by the Hon'ble SAT and the Hon'ble Karnataka High Court and further the fact remains that the *Company* does not seem to have asked SEBI to refund the amount of INR 50 Lakh that was deposited by it with SEBI under the directions of the Hon'ble SAT. Such negligent and careless attitude further compounds the fact that the *Company* does not really want to pay any heed to comply with the directives of SEBI to make refunds to its investors.
31. Under the circumstances, I observe that the presence of such non-compliant entities like the *Company* and its Directors (*Notices* herein) in the securities market will be inimical to the interest of the investors of the securities market and it is a duty bestowed on SEBI to ensure that the securities market is insulated from the entities like the *Company*.
32. Before parting with the proceedings, I also find it very relevant to iterate that it was not the *Company* alone that engaged itself consciously in frivolous litigations but it was the Managing Director of the *Company* also, who has been seen not only representing the *Company* before SEBI but also was one of the Petitioners in the petition filed before the Hon'ble High Court of Karnataka. The records also show that the land acquired by the *Company* has been registered in the names of the Managing Director, who was also a Petitioner in the petition that got disposed of vide order dated September 23, 2021, with a direction to the *Company* and its Managing Director (Mr. Gangadhar) to appear before SEBI on October 25, 2021, however, neither the *Company*/Managing Director nor any other Director appeared before SEBI on the schedule day or any day thereafter. The records further show that they remained absent even after being served notices through a substituted mode of newspaper publication. In the entire

process, they have not only failed to act in due compliances of the law of the land but have also failed in producing any documents to show that the hard earned money of the investors, which was supposed to be refunded long back, have not been paid till date.

33. I must also highlight the fact that the *Company* was directed vide SEBI's order dated February 08, 2006 to wind up its schemes and make refunds to the investors as per the provisions of Regulation 73 of the CIS Regulations. The said order was upheld by the Hon'ble SAT's order dated October 21, 2008 wherein the *Company* was directed as: "7. *For the reasons recorded above, the appeal fails and the same is dismissed. The appellant will now wind up the schemes in accordance with the provisions of the Regulations and repay the investors in accordance with the provisions of Regulation 73.*"
34. As stated earlier, the aforesaid order of the Hon'ble SAT was challenged before the Hon'ble Supreme Court and despite the said appeal being dismissed and despite the order of SEBI continuing to be operational and effective against the *Company*, the *Company* has not complied with the directions of making refunds to the investors of the CISs and filing of WRR with SEBI.
35. Therefore, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992, and read with Regulation 65 of the CIS Regulations hereby pass the following directions:
- (i) The *Noticeses viz.*, Guru Teak Investment (Mysore) Private Limited, Mr. Gangadara Lingadevaraiah and Mrs. Nagamma Manjaiah are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, from the date of this order, till the expiry of 02 years from the date of completion of the refunds to the investors of the CISs of the *Noticee Company*; and
 - (ii) The *Noticeses viz.*, Mrs. Lakshmi Narsappa and Mr. H.A. Srinivas Murthy are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, for a period of 02 years from the date of this order.
36. It is further clarified that during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the *Noticeses* shall remain frozen.
37. The obligation of the *Noticeses*, 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 *Notices* 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.

38. This Order shall be without prejudice to the right of SEBI to initiate prosecution proceedings under Section 24 and adjudication proceedings under Chapter VIA of the Securities and Exchange Board of India Act, 1992, or any other proceedings permissible under law, against the *Notices* or other persons in charge of the *Notice Company*.
39. The Order shall come into force with the immediate effect.
40. A copy of this order shall be forwarded to the *Notices*, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

DATE: 03RD JUNE, 2022

S. K. MOHANTY

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA