

**BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI**

**Date of Hearing : 24.08.2021**

**Date of Decision : 31.08.2021**

**Misc. Application No. 285 of 2020  
(Stay Application)**

**And**

**Appeal No. 256 of 2020**

1. Rana Sugars Ltd.  
SCO 49-50, Sector 8-C,  
Madhya Marg, Chandigarh – 160 009.
2. Mr. Rana Ranjit Singh  
House No. 16, Sector 4,  
Chandigarh – 160 001.
3. Mr. Rana Inder Pratap Singh  
House No. 16, Sector 4,  
Chandigarh – 160 001.
4. Mr. A. S. Sodhi  
House No. 2282, Sector 21-C,  
Chandigarh – 160 022.
5. Mr. S. A. S. Bajwa  
SCO 49, Sector 8-C, Madhya Marg,  
Chandigarh – 160 009.
6. Mr. Rana Veer Pratap Singh  
House No. 16, Sector – 4,  
Chandigarh – 160 001.
7. Mr. Baljit Singh,  
246, Shivalik Enclave, NAC,

Manimajra, Chandigarh -160 101. ...Appellants

Versus

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

Mr. Venkatesh Dhond, Senior Advocate with Mr. Gopal Machiraju,  
Advocate i/b Lakshmikumaran & Sridharan for the Appellants.

Mr. Kumar Desai Advocate with Ms. Nidhi Singh, Ms. Aditi  
Palnitkar, Advocates i/b Vidhii Partners for the Respondent.

**With  
Appeal No. 532 of 2020**

1. Mr. Rana Ranjit Singh  
House No. 16, Sector 4,  
Chandigarh – 160 001.
2. Mr. Rana Inder Pratap Singh  
House No. 16, Sector 4,  
Chandigarh – 160 001.
3. Mr. A. S. Sodhi  
House No. 2282, Sector 21-C,  
Chandigarh – 160 022.
4. Mr. S. A. S. Bajwa  
SCO 49, Sector 8-C, Madhya Marg,  
Chandigarh – 160 009.
5. Mr. Rana Veer Pratap Singh  
House No. 16, Sector – 4,

Chandigarh – 160 001.

6. Mr. Baljit Singh,  
246, Shivalik Enclave, NAC,  
Manimajra, Chandigarh -160101. ...Appellants

Versus

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

Mr. Shyam Kapadia, Advocate with Mr. Gopal Machiraju, Advocate  
i/b Lakshmikumaran & Sridharan for the Appellants.

Mr. Kumar Desai Advocate with Ms. Nidhi Singh, Ms. Aditi  
Palnitkar, Advocates i/b Vidhii Partners for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer  
Justice M. T. Joshi, Judicial Member

Per : Justice Tarun Agarwala, Presiding Officer

1. The present appeals have been filed against 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 January 31, 2020 directing the company to bring back  
the proceeds of the Global Depository Receipts (hereinafter referred

to as 'GDRs') a sum of US\$ 2.27 million which was diverted to Seazun Ltd. (hereinafter referred to as 'Seazun') into the accounts of the company. The directors of the company were directed to take appropriate steps to ensure compliance of the direction given to the company. The company was further restrained from accessing the securities market for a period of five years.

2. The background leading to the filing of the present appeals is that the company Rana Sugars Ltd. issued 2.45 million GDRs for US\$ 18 million on May 15, 2006. The investigation revealed that the Banco Efisa SFE SA (hereinafter referred to as 'Banco Efisa') granted a loan to Seazun by way of Credit Agreement dated April 12, 2006. On the basis of this loan Seazun subscribed to the GDRs issues. All the 2.45 million GDRs issues was subscribed by one entity, namely, Seazun. The company stood guarantee and deposited the entire GDR proceeds with Banco Efisa as security against the loan that was availed by Seazun from Banco Efisa. The Account Charge Agreement / Pledge Agreement was signed by company with Banco Efisa.

3. Subsequently, the GDRs issue was converted into the equity shares and sold in the Indian market. The investigation revealed that the company had not disclosed to the investors about the Account

Charge Agreement / Pledge Agreement made with Banco Efisa and further did not inform that the GDRs issue was subscribed by only one entity, namely, Seazun nor informed that the loan given to Seazun was for the purpose of subscribing to the GDRs issues. It was further found that the GDRs proceeds were subsequently transferred to Seazun which has not yet been returned back to the company. The investigation further revealed that US\$ 2.27 million out of total GDRs proceeds have been diverted to Seazun without any justification.

4. In this background, a show cause notice dated June 23, 2017 was issued alleging that the company did not disclose the outcome of the resolution passed in the meeting held on January 31, 2006 with regard to the decision that the proceeds of the proposed issue of GDRs would be deposited with an overseas bank, namely, Banco Efisa and that the said proceeds would be utilized to secure any loans to be given to Seazun nor informed investors about the Account Charge Agreement / Pledge Agreement and, therefore, the company and its directors contravened Section 12A(a) to (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') and Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices

relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations')

5. The appellants denied the allegations and filed their replies. The WTM after considering the material evidence on record passed the impugned order issuing the following directions :-

- “51(a). Noticee no. 1, the Company shall bring back a sum of USD 2.27 million, which was diverted to Seazun, into the Company’s bank account in India within a period of three months from the date of this Order.*
- (b) The present directors of the Company are directed to take appropriate necessary steps to ensure compliances of the above direction by the Company.*
- (c) Noticee no. 1 and its present director/s are directed to furnish a certificate from a peer reviewed Chartered Accountant of ICAI along with necessary documentary evidences to SEBI, certifying the compliance of the above direction, within a period of 15 days from the date of completion of period of three months as directed at (a) above.*
- (d) Noticee no. 1, i.e. the Company, is restrained from accessing the Securities Market including by way of issuing prospectus, offer document or advertisement soliciting money from the public and is further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for a period of five (5) years from the date of this order.*
- (e) The following Noticees are restrained from accessing the Securities Market and are further*

*prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, from the date of this order, for the period as directed below.*

<i>S No.</i>	<i>Name of the Noticee</i>	<i>PAN</i>	<i>Period (years)</i>
<i>1</i>	<i>Mr. Rana Ranjit Singh</i>	<i>ADXPS5464N</i>	<i>Two years</i>
<i>2</i>	<i>Mr. Rana Inder Pratap Singh</i>	<i>AVNPS6106M</i>	<i>Three years</i>
<i>3</i>	<i>Mr. A S Sodhi</i>	<i>ALZPS2923G</i>	<i>One year</i>
<i>4</i>	<i>Mr. S A S Bajwa</i>	<i>ACDPB9217H</i>	<i>One year</i>
<i>5</i>	<i>Mr. Rana Veer Pratap Singh</i>	<i>BAFPS9170M</i>	<i>One year</i>
<i>6</i>	<i>Mr. Baljit Singh</i>	<i>AIJPS7302L</i>	<i>One year</i>

6. The company and the directors have filed one appeal and the directors have filed another appeal. Since the issue is common and it arises from a common order, therefore both the appeals are being taken up together. We are of the opinion that two appeals against the same order cannot be filed by the directors and therefore the Appeal No532 of 2020 is not maintainable.

7. We have heard Mr. Venkatesh Dhond, the learned senior counsel and Mr. Shyam Kapadia, the learned counsel with Mr. Gopal Machiraju, the learned counsel for the appellants and Mr. Kumar

Desai, the learned counsel with Ms. Nidhi Singh, Ms. Aditi Palnitkar, the learned counsel for the respondent through video conference.

8. The contention of the company is that the direction given in paragraph No. 51(a) of the impugned order directing the company to bring back a sum of US\$ 2.27 million from Seazun was not only vague but was also unwarranted in the given circumstances. It was contended that directions in the nature that the company should take appropriate steps to bring back the money would have been appropriate and, therefore, prayed that direction in paragraph No. 51(a) should be modified to that extent, namely, the company should take appropriate steps to bring back the money which was diverted to Seazun.

9. In this regard, we are of the opinion that direction No. 51(a) directing the company to bring back a sum of US\$ 2.27 million which was diverted to Seazun does not require any clarification or modification. The direction is clear and explicit, namely, that the appellant's company should bring back a sum of US\$ 2.27 million which was diverted to Seazun and which is admitted by the company. We, thus, do not find any error in the impugned order passed by the WTM.



10. Even though the appeal filed by the directors is not maintainable, the counsel for the directors prayed that in view of the resolution passed by the Board of Directors viz-a-viz the Pledge Agreement / the Account Charge Agreement, no direction could be issued to the directors of the company to take appropriate steps to bring back the money in as much as the appellants had neither induced nor committed a fraud and thereby did not violate either Section 12A of the SEBI Act or Regulations 3 and 4 of the PFUTP Regulations. In support of their contention, the learned counsel placed reliance on the decisions of the Hon'ble Supreme Court in ***SEBI vs. Kanaiyalal Baldevbhai Patel (2017) 15 SCC 1 and SEBI vs. Pan Asia Advisor Ltd. & Anr. (2015) 14 SCC 71 and*** was contended that the direction given by the WTM in paragraph No. 51(b) cannot be carried out.

11. The submission of the learned counsel for the appellants appearing for the directors is patently misconceived. We find that admittedly the managing director of the company who is also the appellant before us had written a letter to Banco Efiza to transfer the GDRs proceeds to Seazun. This fact has not been disputed by the appellants. The GDRs proceeds were to be utilized as per the prospectus for various projects of the company which is admittedly

has not been done for all these years. Further, no steps have been taken by the appellants till date to bring back the money from Seazun. Thus, it does not lie in the mouth of the directors to contend that the direction given by the WTM in paragraph No. 51(b) to take appropriate steps to bring back the money cannot be complied with is patently erroneous.

12. The modus operandi involved in the issuance of the GDRs and diversion of money has been the subject matter for consideration in various appeals which came before us. We have held that the entire scheme was a fraud upon the investors and that the money was illegally diverted for vested interest. Thus, in view of the various decisions given by us in the matters of *Jindal Cotex Ltd. vs. SEBI (Appeal No. 376 of 2019 decided on February 5, 2020)*, *Adi Cooper vs. SEBI (Appeal No. 124 of 2019 decided on November 5, 2019)*, *Gagan Rastogi vs. SEBI (Appeal No. 91 of 2015 decided on July 12, 2019)*, we do not find any error in the findings given by the WTM with regard to the modus operandi used in the instant case. The contention of the learned counsel for the appellants that there was no inducement or fraud on the part of the appellants is patently erroneous and is rejected.

13. In view of the aforesaid, we do not find any merit in the appeals and are dismissed with no order as to costs.

14. The present matter was heard through video conference due to Covid-19 pandemic. At this stage it is not possible to sign a copy of this order nor a certified copy of this order could be issued by the Registry. In these circumstances, this order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Parties will act on production of a digitally signed copy sent by fax and/or email.

Justice Tarun Agarwala  
Presiding Officer

Justice M. T. Joshi  
Judicial Member

31.08.2021  
PTM