

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S. RAMAN, WHOLE TIME MEMBER
ORDER**

Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of HBN Dairies & Allied Limited [PAN: AAACH7852C].

1. Securities and Exchange Board of India ('SEBI') received a reference dated October 27, 2008 from the Reserve Bank of India forwarding a complaint against HBN Dairies & Allied Limited ('HBN'/company) having its registered office at IIIrd Floor, Vardhman Chamber, Sonia Complex, Vikas Puri, New Delhi - 110 018. The complainant alleged that HBN was illegally mobilizing funds from the public. Upon preliminary inquiry, SEBI observed that HBN was inviting applications from the customers/ investors for the *purchase and upbringing of the cattle* under its various plans broadly categorized as lump sum and installment plans.
2. SEBI, vide an Interim Order bearing no. WTM/PS/15/CIS/NRO/JULY/2013 dated July 12, 2013 *inter-alia* directed the following against HBN and its Directors viz.,
 - i. *"HBN and its directors Mr. Harmender Singh Sran, Mr. Satnam Singh Randhawa, Mr. Amandeep Singh Sran, Mr. Gajraj Singh Chauhan, Mr. Manjeet Kaur Sran, Ms. Jasbeer Kaur, Mr. Rakesh Kumar Tomar, Mr. Sukhdev Singh Dhillon and Ms. Sukhjeet Kaur, shall not solicit or collect any further money/ investments from investors/ customers into its schemes or launch or carry out any money collection schemes.*
 - ii. *HBN and its aforesaid directors shall submit to SEBI, a reasonable proposal including firm time lines with regard to the manner in which it proposes to wind up its schemes and make payments along with the returns which are due to its investors. This proposal shall be submitted within a period of 30 days from the date of this Order.*
 - iii. *HBN and its aforesaid directors shall not dispose of any of the properties including the properties mentioned in Annexure A, except for the purpose of winding up of its schemes and repaying the money to its investors/ customers with returns that have been promised to them, as directed."*
3. Pursuant to the said Interim Order, HBN vide letter dated August 08, 2013, forwarded a repayment proposal/ schedule to SEBI along with a list of its properties. It also proposed to repay an amount of Rs.1,136.78 crores in a phased manner in consonance with the

realization of its assets. The said proposal/ schedule was examined by SEBI and a detailed procedure for making repayments was forwarded to HBN vide SEBI's letter dated January 06, 2014, for necessary compliance. The procedure, *inter alia*, required as under:

- HBN to provide the details about its investors/ customers to SEBI.

- HBN to appoint a SEBI registered Registrar and Share Transfer Agent (hereinafter referred to as 'RTA') after obtaining approval of SEBI within one month for managing the escrow account and handling the entire repayment process. For the said purpose, it had to propose the name of three RTAs to SEBI. On consideration of the same, SEBI to provide no objection to one of the three RTAs proposed by HBN. HBN, its directors, its group companies and their directors should not have any conflict of interest with such RTA.

- RTA has to inform the investors about the initiation of the repayment process by way of registered post within 15 days of its appointment, for handling the repayment process.

- HBN to open an escrow account with any of the public sector scheduled bank, within one week of appointment of RTA.

- HBN to publish an advertisement regarding repayment in an English newspaper having nationwide circulation and in a local daily at the places where investors are situated within 10 days of appointment of RTA.

- HBN to appoint a reputed concurrent auditor with the approval of SEBI to look into the details of day-to-day repayment to the investors within 30 days. HBN has to get its books of accounts and other relevant documents/ records in respect of its CIS activities audited by the said auditor.

- Before initiating the process of selling the properties, HBN and its group companies have to get the valuation of the assets counter checked by an independent

Government approved valuer. Such valuer may be appointed by HBN after receiving the due approval of SEBI.

- After appointment of RTA, the independent valuer and the concurrent auditor, the details of procedure/ modalities of repayment of money to the investors are required to be finalized in consultation with the RTA, concurrent auditor and SEBI.
- HBN has to deposit the money as per the following time lines so that the money can be repaid to the investors within a time of one year:

S.No.	Time lines	% of the money deposited
1	Within two days of opening of escrow account	100% of cash/ deposits in any form with bank or other institutions available with HBN
2	Within three months from the date of receipt of SEBI letter	33% of the remaining total money due to the investors
3	Within six months from the date of receipt of SEBI letter	33% of the remaining total money due to the investors
4	Within nine months from the date of receipt of SEBI letter	34% of the remaining total money due to the investor + the additional amount if any

- RTA to repay the money to the investors from the escrow account on proportionate basis. HBN has to provide an undertaking in the form of an affidavit to the effect that the said money would be utilized only for the purposes of repayment to investors.
- HBN to submit a monthly report to SEBI on the progress of realization of assets/ selling of scheme assets.

4. It is noted that SEBI constantly reviewed HBN's repayment procedure from 2014 through several correspondence exchanged with HBN as well as by conducting various meetings with HBN and RTA. During the course of such reviews SEBI observed the following:

- i) The repayments were not being made from the escrow account opened for the purposes of repayment and through the RTA appointed for the said purpose. HBN did not transfer the entire cash/ deposits to the escrow account within two days of opening of the same. The

escrow account was opened on April 29, 2014. HBN vide its letter dated May 13, 2014, intimated SEBI that Rs.193.73 crores have been repaid to 2,00,517 investors. It is clear that such repayments, if done were apparently not made through the escrow account. As on December 18, 2014, HBN had claimed to have repaid Rs.242.17 crores to 2,36,307 investors again not from the escrow account. Payments to the investors were being made from the bank accounts other than the escrow account (which was opened for the purposes of repayment to the investors) and without the involvement of RTA, i.e. in complete disregard to the repayment procedure.

ii) SEBI had asked HBN to submit the bank account statements from where approximately Rs.242 crores claimed to have been disbursed. HBN on February 03, 2014, submitted four volumes of paper book containing the various bank statements. An attempt was made to cross verify the claim of repayment by HBN. For the same, two samples were selected. The selected sample investors informed SEBI that the cheques issued to them were returned with the remark 'insufficient funds'. The relevant bank statement of HBN with Axis Bank bearing account number- 910020029352533 revealed that the aforesaid cheques, bearing numbers 560 and 561, were returned with the reason 'funds insufficient'. This clearly indicated that HBN was trying to give a false picture that it has repaid its customers. However, the fact is that the cheques issued were not honoured and the investors/customers still remained unpaid. HBN had claimed that the investors were repaid in the month of January 2014, however, the cheques were issued in the month of March 2014 and the bank account statement of HBN stated that the cheques were returned in June 2014 and May 2014.

iii) Majority of the investors of HBN were still unpaid and majority of those who have been claimed (by HBN) to be paid have filed various investor complaints. SEBI had received more than 1,200 complaints and are still receiving complaints. These complaints *inter alia* alleged as under:

- HBN is not paying the matured amount. In certain cases, HBN has not repaid even after 18-24 months of the maturity date.
- Phone calls have been received by SEBI, alleging therein that the branch office of HBN has informed them that the payment of matured amount shall be made by SEBI.

- HBN has issued post-dated cheques to its investors. Certain investor complaints have also alleged that the cheques received from HBN are getting bounced.
- That the agents of HBN are asking for fresh deposits and are threatening investors of not getting their money back unless money is deposited in new scheme.
- Hon'ble Delhi High Court in its order dated November 14, 2014, has also *prima facie* observed substantial lapses and transfer of funds between HBN and its subsidiaries and referred the matter to Serious Fraud Investigation Office (SFIO).

iv) It is noted from the Auditors report submitted by the Auditor R. Shandilya & Associates who conducted post verification repayment audit of HBN for 1,99,877 investors amounting to Rs.192.96 crores submitted the following observations:

- HBN has paid to 45,670 investors through cheques and 1,54,207 investors through cash. Such payments have been made without the supervision of RTA.
- In certain cases full chain of repayments were not available.
- HBN has used the stationary of group companies for making payments in certain cases.
- HBN has issued postdated cheques in certain cases.
- The auditor also pointed out that an amount equivalent to 25% of the amount due has been recovered as penalty if the investor wishes to redeem the investment before the maturity date.

5. Since SEBI observed that there were deviations from the approved repayment procedure, an opportunity of personal hearing was granted to the Company and Directors on January 16, 2015 to explain the reasons for the same. The submissions, *inter-alia*, of the Company was as under:

- i) HBN had informed that it sold various assets and also liquidated the investments of the group companies to repay to its investors. It is still in search of prospective buyers for its various properties. However due to the depressed market conditions/ liquidity crunch HBN is facing lack of interest from the buyers towards various properties held by it. Due to the stress to repay the investors, HBN is faced with compelling circumstances to sell the properties hurriedly giving rise to a situation to sell the properties at a price much below the expected market price. HBN also informed that for the said purpose, HBN had also approached UTI, however, it did not get any positive response in this regard. Further, to repay the investors, HBN also thought it wise to avail loan and for the same it sought clarification from SEBI.

ii) HBN stated that it faced various difficulties for the operation of escrow account. HBN informed that the escrow account could not be made operational/ functional because of Bank's non-co-operation. As a result of the same, HBN could not utilize the services of the RTA. (SEBI had advised HBN to forward all the correspondences exchanged by it with the Bank of Baroda, in this regard. However, HBN has not submitted such correspondences, till date).

Meanwhile, in a winding up petition filed by an alleged creditor of a group company of HBN viz. Pier-One Construction Pvt. Limited, Hon'ble High Court of Delhi vide its order dated July 30, 2014 passed *ex parte* directions to HBN whereby the Company was restrained from selling, alienating, transferring or parting with the possession and creating any third party rights in the immovable assets of the Company and its subsidiaries. The matter was settled on September 6, 2014 and HBN thereafter moved an application seeking recalling of the directions of Hon'ble High Court. As per the order dated December 09, 2014, the Hon'ble Court directed HBN that in case any further assets of HBN are sought to be sold, intimation with regard to the book value of the assets and proposed sale consideration along with the details of recorded owner of the asset shall be furnished to the Hon'ble Court, prior to the transaction being completed.

6. It is noted that SEBI considered in detail the schemes launched by HBN, various submissions made by HBN and the repayment procedure adopted by HBN pursuant to the interim order. Thereafter, SEBI vide Order bearing no. WTM/PS/71/CIS-NRO/FEB/2015 dated February 12, 2015 ("**final order**") made the following observations:

- I. The schemes/arrangements/operations of HBN are in the nature of collective investment schemes in terms of section 11AA of the SEBI Act, 1992 for the reasons detailed in the said Order at paragraph number 16.
- II. As HBN carried out the schemes without obtaining registration from SEBI, HBN had violated the provisions of section 12(1B) of the SEBI Act, 1992 and regulation 3 of the SEBI (Collective Investment Schemes) Regulations, 1999 ("**CIS Regulations**").
- III. For the reasons detailed in paragraph numbers 17 and 18 of the aforesaid final order it was found that HBN had not been able to adhere to the timelines given by SEBI to repay the investors.

7. In view of this, SEBI *inter alia* passed the following Directions vide Order bearing no. WTM/PS/71/CIS-NRO/FEB/2015 dated February 12, 2015 against HBN and its Directors:
- i. HBN Dairies & Allied Limited and its directors viz., Mr. Harmender Singh Sran, Mr. Amandeep Singh Sran, Ms. Manjeet Kaur Sran and Ms. Jasbeer Kaur shall forthwith wind up the existing Collective Investment Schemes and refund the money collected by the said company under the schemes with returns which are due to its investors as per the terms of offer, on or before March 09, 2015 and thereafter within a period of fifteen days, submit a winding up and repayment report to SEBI in accordance with the SEBI (Collective Investment Schemes) Regulations, 1999, including the trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refunds.*
 - ii. The Company shall provide proof including trail of funds, bank statements to support its contention that it has refunded the monies to its investors.*
8. Subsequently, HBN filed an appeal before Hon'ble Securities Appellate Tribunal ("SAT") against aforesaid final order dated February 12, 2015 and the matter is presently *sub-judice*. Meanwhile, on January 13, 2016 SEBI received another repayment proposal from HBN towards compliance of the directions issued vide SEBI's final order. During the hearing held on January 15, 2016, before Hon'ble SAT, HBN submitted that the company was willing to refund the investors and filed a proposal with SEBI for its consideration and approval. The said proposal was objected to by SEBI keeping in view the previous conduct of the company in not implementing the previous proposal approved by SEBI. Vide order dated May 03, 2016 SAT granted liberty to HBN "*to send a proposal to SEBI seeking implementation of the impugned order, and if such representation is made, SEBI shall consider the same on its own merits in accordance with law*".
9. In view of the same, HBN re-submitted the repayment proposal to SEBI on May 19, 2016 and requested for an opportunity of hearing to explain the proposal in detail. In conformity with the principles of natural justice, vide hearing notice dated August 04, 2016, an opportunity of personal hearing was granted before me on August 09, 2016. HBN attended the hearing and was represented by its Advocates.
10. I have considered the material available on record such as Orders passed by SEBI, repayment proposal dated May 19, 2016 submitted by HBN and the oral submissions made

before me by HBN during the hearing dated August 09, 2016. On examination of the same, I note the following:

10.1 The repayment proposal that HBN has now proposed is a structured repayment mechanism which involves setting up an independently managed ring fenced Special Purpose Entity (“**SPE**”) in the nature of a trustee company as a corporate registered under the Indian Trust Act, 1882. The salient features of the repayment proposal are the following:

i) **“Legal structure of the SPE:**

SPE will be formed in the nature of a ring fenced independent entity and shall be fully responsible for making the payment to the investors. The SPE will be purely contractual in nature with a specific purpose of repayment to the investors formed with due approval of the High court.

- a. *The SPE under the cover of trust deed registered under the Trust Act, 1882 will be complying with the provisions of the Act.*
- b. *The formation of SPE will be regulated by Chapter III of SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 in order to bring the said deposits under the purview of SEBI regulations.*
- c. *All asset classes of HBN are presently owned by HBN Dairies and Allied Ltd and its wholly owned subsidiaries. The transfer of assets and liabilities from HBN Dairies and Allied Ltd is construed as “reconstruction for merger” under section 232 of the Companies Act, 2013 and the transfer of assets and liabilities from the wholly owned subsidiaries is construed as “amalgamation of companies in public interest” in pursuant to section 237 of the Companies Act, 2013.*
- d. *The assets transferred to the SPE shall be at market value, certified by a competent valuator. As transfer of assets are at market value it shall not attract any gain on further transfer on sale of assets. However, should there be any tax payable for any differential gain then it will be as per the Income Tax Act, 1961. A tax reserve will be maintained by the SPE, in event of default in tax payment.*

ii) **Tenure and Payment to all the investors:**

The entity shall continue its function of repayment within 24 months from the date of formation. The trust will repay the entire amount of INR 7,67,49,74,427/- accepted from 19,77,924 investors from all the centers across the country. Cash collateral of INR 50 crores p.a. will be contributed by HBN from the Hospitality business so as to maintain cash collateral in the payment process. At the closure of the trust the entire amount will go back to HBN which was brought in by them as cash collateral from this source.

iii) Independent Valuation:

A valuation exercise shall be undertaken prior to the asset transfer and shall be done by an approved valuation authority.

iv) Legal transfer of Assets:

Select assets of HBN will be transferred to the SPE which will be pure legal transfer at market value with the approval of High Court. The asset transferred will be used to repay the principal liability in totality along with the administrative expenses of the SPE.

v) Taxation:

As the transfer of assets is in the interest of investors, a special exemption may be permissible with due approval from the High Court and Commissioner of Income tax, as well as special exemption from stamp duty from the High Court.

vi) Pool of Assets for Repayment:

The Assets are categorized as assets available for Sale, assets available for construction and assets with business for revenue generation. The assets available for sale and assets available for construction will be transferred to the SPE. The assets shall comprise of residential properties and plots, commercial complexes, malls and multiplex, and cash flows from select properties of HBN such as Radisson Blue Hotel and Developable Land in Bhatinda, Ujjain, Raipur.

vii) Sale methodologies to be used by the SPE:

Due to various reasons, HBN was unable to sell its properties. However, the Executive officer of the SPE needs to get the assets or projects rated from an approved rating agency so as to create a better market demand and credibility of the assets. SPE shall use real estate brokers, resellers, online sales and Joint Development Agreement as sale methodologies. The sale consideration shall be in the form of high quality capital market instruments such as stocks, AA rated Bonds, Prompter holdings of listed stocks, cash, Fixed Deposits, etc. The sale proceeds will be deposited in an escrow account.

viii) Personnel of the trust:

The Trust will be formed by the trustees and the trustees shall appoint other human resources personnel for completing the objectives of the SPE. The Trustee Board shall have a nominee of HBN, a third party independent nominee and also by nominees of investors. SEBI and RBI nominee, and nominees from other statutory authorities. A grievance officer will be appointed to address the grievance of investors under the supervision of trustees. The SPE will have an estimated number of 107 employees.

It is also noted that the key elements of this SPE include contractual and legal framework regulated by competent authorities.

11. Having considered the repayment proposal in detail, I find the following:

- i. The initial repayment proposal was submitted on August 08, 2013. It is a matter of grave concern that after a lapse of a little more than 3 years, the Company is still seeking a fresh proposal for repayment to investors.
- ii. HBN has failed to give any plausible explanation as to why the properties could not be sold since 2013. The new proposal also does not give any firm timelines as to when the properties will be sold. SEBI vide its letter dated July 10, 2014 had advised HBN to look into the possibilities of selling its properties through auction or tender process. I find that the transfer of properties to an SPE will in no substantial way lead to quicker sale of property, as compared to an auction of properties which was suggested earlier. The methodologies proposed to be used by the SPE do not also in any way guarantee sale of properties at better rate than by auction. Most importantly, such a scheme is only likely to delay the repayment to investors.
- iii. The methodology proposed by HBN envisages regulation of the SPE under the provision of SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008 so as to bring the activities of HBN under the regulations. This is clearly an attempt to bestow legal sanctity on what has clearly been an illegal raising of funds.
- iv. Further, the proposed methodology for transfer of assets and liabilities from HBN and its wholly owned subsidiaries to SPE envisages “reconstruction for merger” under section 232 of the Companies Act, 2013 and “amalgamation of companies in public interest” under section 237 of the Companies Act, 2013 respectively.
- v. I find that the current proposal which envisages setting up of an SPE, legal transfer of assets to the SPE, credit rating of the assets, obtaining insurance from an appropriate insurance Company, etc., will require substantial additional time for making repayments to the investors.
- vi. During the course of the personal hearing granted to HBN on August 09, 2016, the company submitted that the new proposal was made on account of the difficulties faced by it in selling its properties at market value. As per the valuation report of P &

A Valutech Pvt. Ltd. submitted by HBN as part of the new repayment proposal dated May 19, 2016, it is noted that the assets of the Company available for sale, assets with development rights, assets with business and assets available as collateral security together have a market value of more than Rs.1300 crores. Since the properties for the purpose of repayments are already identified, I find that setting up an SPE at this juncture is totally unnecessary.

- vii. It is observed that in the instant proposal, the company once again suggests opening of an escrow account. SEBI had directed the company as far back as January 2014 to open an escrow account and make repayments to investors under the supervision of RTA through the escrow account. However, repayments to the investors were made by the Company from bank accounts other than the escrow account, and, without the involvement of RTA. In spite of giving a time schedule to the Company for depositing money in the escrow account, the Company has failed to do it. The Company, on the other hand, stated that it faced various difficulties in the operation of escrow account. When asked to produce the correspondence between them and the Bank the Company has failed to do so. Further, from the facts available on record, HBN claims to have made repayments to many investors in cash, in total disregard to the repayment scheme agreed by the company earlier. These cash repayments totalled to an amount as high as Rs. 192.96. crores (out of the total of Rs. 242 crores claimed to have been repaid till December 2014). It is difficult to give any credence to such claims made by HBN as the company despite being asked to submit details of the sources of cash, has failed to do so.
- viii. The proposal does not add value to the process of recovery of funds, which require auctioning of HBN assets to raise funds. The new proposal, instead of facilitating the process of repayments to the investors, would only result in huge delays. HBN also claims that the SPE might get some tax benefits. This is at best a vague claim, specially as no mention of any legal provisions in support have been mentioned.
- ix. The new proposal also envisages personnel from SEBI and RBI to join the Board of Trustees in the proposed trust. This can only be termed far-fetched and without any serious intent and purpose.

- x. A long winding and cumbersome process envisaged in the instant repayment proposal is nothing but a deliberate ploy to delay in making repayments to the investors. If the company wanted to make repayments, it could have been easily done so by selling the assets of the company during the last three years. The instant proposal for the repayment through a circuitous route is fraught with hurdles and impediments and is not remotely in the interests of investors.
12. SEBI has been assigned the statutory duty to protect the interests of investors in securities and regulating the market by such measures as it deems fit. It is the duty of SEBI to ensure that the securities market functions in a fair manner. In this regard, reference may be made to the following observations of the Hon'ble Supreme Court in its judgment dated April 26, 2013, in N. Narayanan Vs. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013) wherein it held that: "*SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto.*"
13. I also find it necessary to place reliance on the judgment of Hon'ble Supreme Court, in the matter of PGF Limited Vs. Union of India & Ors.:
- "therefore, the paramount object of the Parliament in enacting the SEBI Act itself and in particular the addition of Section 11AA was with a view to protect the gullible investors most of whom are poor and uneducated or retired personnel or those who belong to middle income group and who seek to invest their hard earned retirement benefits or savings in such schemes with a view to earn some sustained benefits or with the fond hope that such investment will get appreciated in course of time. Certain other Section of the people who are worstly affected are those who belong to the middle income group who again make such investments in order to earn some extra financial benefits and thereby improve their standard of living and on very many occasions to cater to the need of the educational career of their children.*
38. *Since it was noticed in the early 90s that there was mushroom growth of attractive schemes or arrangements, which persuaded the above vulnerable group getting attracted towards such schemes and*

arrangements, which weakness was encashed by the promoters of such schemes and arrangements who lure them to part with their savings by falling as a prey to the sweet coated words of such frauds, the Parliament thought it fit to introduce Section 11AA in the Act in order to ensure that any such scheme put to public notice is not intended to defraud such gullible investors and also to monitor the operation of such schemes and arrangements based on the regulations framed under Section 11AA of the Act.....

.....

42. Therefore, in reality what sub-section (2) of Section 11AA intends to achieve is only to safeguard the interest of the investors whenever any scheme or arrangement is announced by such promoters by making a thorough study of such schemes and arrangements before registering such schemes with the SEBI and also later on monitor such schemes and arrangements in order to ensure proper statutory control over such promoters and whatever investment made by any individual is provided necessary protection for their investments in the event of such schemes or arrangements either being successfully operated upon or by any misfortune happen to be abandoned, where again there would be sufficient safeguards made for an assured refund of investments made, if not in full, at least a part of it.”

14. HBN failed to take any concrete steps for all these years to repay the investors' money despite its own earlier repayment proposal in 2013. The past *malafide* conduct of the company can be seen from the factors mentioned below:

- (i) though SEBI's CIS Regulations were well in place, HBN chose not get registered and illegally mobilized funds amounting to Rs.1136.78 crores; HBN's fund raising is *ab-initio* illegal.
- (ii) though HBN proposed repayment plan in 2013 and thereafter agreed to the SEBI's repayment procedures, HBN has failed to comply with the same;
- (iii) though SEBI mandated HBN to open escrow account and repay the investors through the said account under the supervision of a SEBI approved RTA, HBN flouted the said process by making (i) "cash" payments to the extent of Rs. 192.96 crores without the knowledge of RTA, (ii) making payments through their other non-escrow accounts;
- (iv) HBN's claim as to repayments to the investors through cheques is also of doubtful validity as several of these cheques have been dishonored due to "insufficient funds" (many complaints in this regard are continuing to be received till date);

15. Almost 20 lacs investors of HBN are desperately waiting to get their money back. The company's intentions have been *malafide* right from the very beginning till now. This is

illustrated by HBN's raising of funds in a blatantly illegal manner, flouting the directions of SEBI in respect of repayments to be made only through the escrow account, 'repaying by cash' to a huge extent of Rs.192.96 crores, the source of which remains unexplained even after 2 years etc.. This new proposal is nothing but a ploy to drag on the matter without any reasonable end in sight.

Order

16. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11 and 11B of the SEBI Act, 1992 hereby reject the repayment proposal submitted by HBN.

**AUGUST 12, 2016
MUMBAI**

**S.RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**