

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTIONS UNDER SECTION 11B OF THE SEBI ACT 1992 & REGULATIONS 5(1) READ WITH REGULATIONS 65, 68(1), 68(2), 73 & 74 OF SEBI (COLLECTIVE INVESTMENT SCHEMES) – REGULATIONS, 1999 ISSUED AGAINST M/S PRINCE AGRO INDUSTRIES LTD, NEW DELHI

M/s Prince Agro Industries Ltd (hereinafter referred to as the company) had filed information / details with SEBI regarding its Collective Investment Schemes (CIS) pursuant to Press Release dated 26.11.97 /Public Notice dated 18.12.97 issued by SEBI.

Subsequent to the notification of SEBI (Collective Investment Schemes) – Regulations, 1999 (hereinafter referred to as the Regulations) dated October 15, 1999 the company neither applied for registration nor informed SEBI of the winding up of its schemes as prescribed by the Regulations. A Show Cause Notice was issued to the company on 12.5.2000 for taking action against it for the non-compliance with Section 12 (1B) of the SEBI Act, 1992 and Regulation 5(1) read with Regulations 68(1), 68(2), 73 and 74 of the Regulations. The reply of the company dated 31.5.2000 to the Show Cause Notice was not found to be in compliance with the Regulations and the company was informed of the same vide letter dated 8.6.2000. The company was also reminded of its obligation to send an information memorandum to the investors, who had subscribed to its scheme (s), within two months from the date of receipt of the intimation from SEBI (specifically sent letters dated 10.12.99 and 29.12.99 and also conveyed through public notice dated 10.12.99 which appeared in major newspapers on 19.12.99). Accordingly, the last date of sending the information memorandum was 28.2.2000. Vide the aforesaid letter dated 8.6.2000, company was also reminded of the requirement of making repayments to investors and wind up the schemes by 28.5.2000. The company was specifically informed that it had not complied with the SEBI (Collective Investment Schemes) Regulations, 1999. Vide letter dated 31.7.2000 the company was also advised to furnish the Winding Up and Repayment Report. In view of non-compliance by the company, before taking any action, the company was granted opportunities of personal hearing before me on 5.12.2000 and 9.7.2001, during the course of which the company was advised to repay the balance amount to investors who had not given their consent to continue with their schemes within a specific time-frame and submit the statutory auditor's certificate in respect of the same.

As the company did not report full compliance, a final opportunity of personal hearing was granted on 3.4.2002. The company submitted that payment to the investors was pending as they had not approached the company for repayment and were not traceable.

It was then agreed that the company would file the Winding up and Repayment Report in prescribed format and provide reconciliation for amounts mobilized and repaid, amounts for which positive consent received, amounts payable to the remaining investors and amount actually repaid. The company also advised to place the balance amounts payable to investors in a fixed deposit in a bank. Subsequently, vide letter dated 1.7.2002, the company was advised to place the amount due to the non consenting investors in a separate fixed deposit for each investor for 60 months in a bank and submit copies of the Fixed Deposits Receipts duly certified by their auditors along with an undertaking signed by all the directors stating that the amount so placed in the Fixed Deposits would not be alienated towards any other purpose other than repayment to the non-consenting investors. The company was to ensure compliance by 15.7.2002. The company vide letter dated 23.8.2002 submitted certain documents which were not found to be in full compliance with requirements. On further advise by SEBI, the company submitted a certified funds reconciliation statement vide letter dated 9.9.2002. However, the company has not reported satisfactory compliance regarding the requirement of separate Fixed Deposits in favour of the non-consenting investors till date. The company has, thus, failed to comply with the SEBI (Collective Investment Schemes) Regulations, 1999.

Now, therefore, in exercise of the powers conferred upon me under Section 11B of the SEBI Act, 1992 and Regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999 I hereby direct the company to refund the money collected under the scheme(s) with returns which is due to the investors as per the terms of the offer within a period of one month from the date of this order failing which the following actions would follow :-

1. Initiation of prosecution under Section 24 of the SEBI Act, 1992 against the company / its promoters / its directors / its directors / its managers / persons in charge of the business of its scheme(s).
2. The company / its promoters / its directors / its managers/persons in charge of the business of its scheme (s) would be debarred from operating in the capital market for a period of 5 years.
3. Writing to the State Governments / local police to register civil / criminal cases against the company and its promoters / its directors / its managers/ persons in charge of the business of its scheme(s) for apparent offences of fraud, cheating, criminal breach of trust and misappropriation of public funds.
4. Writing to the department of Company Affairs to initiate the process of winding up of the company.

PLACE : Mumbai

DATE : 10.2.2003

G.N BAJPAI

CHAIRMAN

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