

## SECURITIES AND EXCHANGE BOARD OF INDIA

## DIRECTIONS UNDER SECTION 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 65 OF SEBI (COLLECTIVE INVESTMENT SCHEMES) REGULATIONS, 1999 AGAINST M/S LIFE CARE (INDIA) LTD JAGATSinghpur,ORISSA

C/ /2003/CIS

1.1 M/s Life Care (India) Ltd (hereinafter referred to as 'company'), had raised funds amounting to Rs. 9.20 lacs from the investors / public under the various collective investment schemes operated by it. The company filed certain information / details with the Securities and Exchange Board of India ( hereinafter referred to as SEBI) regarding its collective investment schemes. The aforesaid information was filed pursuant to the Press Release of SEBI dated November 26, 1997 and December 18, 1997. In the above Press Release SEBI had inter alia stated that any collective investment scheme which is desirous of taking the benefit of the proviso to section 12 (1B ) of the SEBI Act, 1992 (hereinafter referred to as the said Act) has to send to SEBI, certain information within 21 days from the date of the said Press Release.

1.2 Section 12(1B) of the said Act provides that - "No person shall sponsor or cause to be sponsored or carry on or caused 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 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".

1.3 The SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as the 'said Regulations') was notified on October 15, 1999. As per regulation 5 of the said Regulations "Any person who immediately prior to the commencement of the Regulations was operating a scheme, shall subject to the provisions of chapter IX of the Regulations make an application to the Board for the grant of certificate within a period of two months from such date".

1.4 The company filed an application with SEBI for grant of provisional registration. As the details submitted by the company were found to be unsatisfactory, certain information were sought from the company in order to process the said application. However, despite SEBI sending several reminders by way of letters dated June 2, 2000, July 10, 2000, November 13, 2000, April 11, 2001 and June 28, 2001, no reply was received from the company. Thereafter, a personal hearing was granted to the company before the then Chairman of SEBI on August 30, 2001. During the said personal hearing, the representatives appearing on behalf of the company were directed to submit to the satisfaction of SEBI within 3 months from the date of the said hearing the following information / documents / clarifications.

- i. Monies raised under the CIS schemes after February 24, 1998 to be refunded to the investors within 3 months from the date of hearing and to submit a certificate from the statutory auditors of the company certifying the same.
- ii. Clarification in respect of the status of the Directors of the company and shareholding pattern of the company including that of the Directors.
- iii. Clarification whether the statutory auditor is related to any of the Directors of the company.

During the said hearing, the company was advised that their application for the grant of registration shall be considered only after the company satisfies SEBI regarding the fulfillment of the above requirements. However, the company failed to submit the relevant documents / clarifications within the stipulated time.

1.5 In terms of the provisions of Regulation 70(2) of the said regulations, it was decided to conduct an inspection of the books of accounts, records and documents of the company by SEBI, during the period June 3rd to June 5<sup>th</sup> 2002. The same was communicated to the company vide SEBI's letter dated May 20, 2002. However, the company vide their fax dated May 28, 2002 requested for postponement of the dates of inspection. Considering the request made by the company, the inspection was rescheduled to July 24 to July 26, 2002 and the same was communicated to the company vide SEBI's letter dated July 10, 2002. Subsequently, the company vide their fax dated July 22, 2002 again requested SEBI to extend the dates of the proposed inspection. The said request was also allowed, and the company was informed by SEBI's letter dated July 24, 2002 that the proposed inspection would be conducted on August 8, 2002 at the registered office of the company. Vide the said letter, the company was also informed that this was the final opportunity for inspection of the books of accounts of the company by SEBI, failing which their application for grant of provisional registration under the said regulation would be disposed of on the basis of material information / documents available on records. However, when the SEBI officials visited the registered office of the company on August 8, 2002, for the purpose of conducting inspection of the books of accounts of the company, the office of the company was found to be closed. As inspection of the books of accounts of the company could not be carried out, it was not possible to make an assessment regarding the fulfillment of various conditions stipulated under regulation 70 (1) of the said regulations by the company.

1.6 Thereafter, the company was granted a personal hearing on August 31, 2002 before me. However, the company failed to attend the personal hearing granted to them. Having regard to the above and considering the details available on record, the application of the company seeking grant of provisional registration was rejected on August 31, 2002 and the same was communicated to the company vide SEBI's letter dated September 23, 2002. Vide the said letter, the company was also informed that pursuant to the rejection of their application for registration, the company as an existing collective investment scheme shall wind up its existing scheme(s) and make repayment to the investors in the manner specified under Regulation 73 of the said Regulations.

1.7 Accordingly, the company was required to send an information memorandum to the investors who have subscribed to its scheme(s) within 2 months from the date of receipt of information from SEBI i.e by November 23, 2002. Furthermore, upon completion of the winding up schemes of the company and repayment to the investors in the manner specified under Regulation 73

of the said Regulations, the company was required to file a "Winding up and Repayment Report" in the format prescribed by SEBI. The winding up report was required to be filed with SEBI within three and a half months from the date of information memorandum i.e by March 10, 2003. The company failed to submit the said winding up and repayment report to SEBI within the stipulated date i.e. March 10, 2003.

1.8 It is clear from the above that the company failed to comply with the requirements of SEBI Act, 1992 and SEBI (Collective Investment Schemes) Regulations, 1999 and violated the specific provisions of Regulations 73 and 74 of the SEBI ( Collective Investment Schemes ) Regulations, 1999.

Therefore, in exercise of the powers conferred upon me under Section 11B read with Section 4(3) of the SEBI Act, 1992 and Regulation 65 of SEBI (Collective Investment Schemes ) Regulations, 1999, I, hereby direct the company to refund the money collected under its Collective Investment Schemes 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 proceedings under Section 24 of the SEBI Act, 1992 against the company / its promoters /directors/managers/ persons in charge of the business of its scheme (s)
2. Debarring the company/ its promoters/ directors/ managers/ persons in charge of the business of its scheme(s) from operating in the capital market and accessing the capital market for a period of 5 years.
3. Writing to the state government/ local police to register civil / criminal cases against the company and its promoters /directors 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: 29<sup>th</sup> May, 2003**

**G.N. BAJPAI**

**Chairman**

**Securities and Exchange Board of India**