CO/198/IMD/01/2004

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTIONS UNDER SECTION 11B READ WITH SECTION 11 OF SEBI ACT, 1992 READ WITH REGULATION 65 OF SEBI (COLLECTIVE INVESTMENT SCHEMES) REGULATIONS, 1999 IN THE MATTER OF ION EXCHANGE ENVIRO FARMS LTD.

1. M/s Ion Exchange Enviro Farms Ltd (hereinafter referred to as the "company") mobilized funds amounting to Rs. 2360.35 lacs from the investors / public under the Collective Investment Schemes being operated by it. Pursuant to the press release and the public notice issued by SEBI on November 26, 1997 and December 18, 1997, the company filed an application with SEBI for the grant of provisional registration which was granted by SEBI on February 16, 2001 subject to the conditions, inter alia, as specified in Regulation 71 of the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as the said Regulations).

2. Subsequent to the grant of provisional registration, SEBI, periodically advised the company vide letters dated July 23, 2001, January 11, 2002, May 7, 2002, May 21, 2002 and September 16, 2002 to submit an interim report on the status of compliance of the conditions specified in Regulation 71 of the said Regulations, such as creation of trust, getting the existing schemes appraised and rated as required under the said Regulations.

3. However, the company failed to comply with the conditions specified in Regulation 71 of the said Regulations. In the interest of natural justice, SEBI granted an opportunity of personal hearing to the company before me, on January 18, 2003. On the said date, Shri M. A Sreeram Chellappa, Chief Operating Officer, Shri Rajesh Sharma, Director and Shri P.S Gupchup, Director of the company appeared before me on behalf of the company. During the course of the said hearing, the representatives of the company admitted that they had failed to comply with the required conditions of the Regulations and requested for exemption from complying with certain conditions of regulation 71 of the said regulations and also sought for additional time for complying with the conditions specified in the said Regulations. As the provisions of the said Regulations do not provide for grant of extension of time or exemption from complying with provisions of the said Regulations, the request of the representatives of the company was not acceded to by SEBI. Further, the company was directed to comply with the conditions of Regulation 71 of the said Regulations by January 28, 2003.

4. Pursuant to the said hearing, SEBI received a letter dated February 26, 2003 from M/s Crawford Bayley & Co. Advocates and Solicitors who acting on behalf of the company, inter alia, contended that the said Regulations are not applicable to the projects / arrangements of the company and the initial application of the company for a provisional registration being misconceived the question of complying with the aforesaid Regulations did not arise.

5. In this regard, it is noted that the company while submitting the application to SEBI seeking registration, vide letter dated June 1, 2000 had sent a declaration signed by the directors of the company, inter alia, stating that "The schemes of the applicant company are in the nature of Collective Investment Schemes". Further in terms of Regulation 71(2) of the said Regulations, the company vide letter dated February 27, 2001, had informed SEBI that the company would be complying with the conditions of Regulation 71 of the said Regulations and a written undertaking in this regard had been submitted to SEBI. Thereafter, vide a letter dated December 24, 2001, the company had sought an extension of provisional registration for a further period of 6 months from February 2002 for complying with all conditions for grant of final registration.

6. It is also noted from the terms of the agreement entered into between the company and the investors, as well as the report dated February 17, 1999 of the Special Auditor, viz. M/s Mukund M. Chitale & Co., Chartered Accountants appointed by SEBI as per the directions of the Hon'ble High Court of Delhi, that the contributions, or payments made by the investors, by whatever name called, are pooled and utilized solely for the purposes of the scheme or arrangement of the company and the investors have no control over the day to day activities of the company although they have the right to withdraw from the project subject to certain terms and conditions. Even from the scheme brochures and the agreement, it is clear that the investors get their returns by the sale of produce.

7. It is noted that the provisional registration granted to the company expired on February 15, 2003. Although the company has, time and again, been informed that in case it failed to comply with several conditions of Regulation 71 of the said Regulations, within the stipulated period the company would be required to wind up its schemes in terms of Regulation 73 of the said Regulations. It is further noted from the material available on record and the admission made by the representatives of the company that, till date, the company has not complied with the conditions laid down under Regulation 71 of the said Regulations.

8. As per the provisions of Regulation 73 (1)(c) of the said Regulations, if an existing Collective Investment Scheme, after obtaining provisional registration, fails to comply with the provisions of Regulation 71 of the said Regulations, has to wind up the existing scheme(s) in accordance with the procedure stipulated in Regulation 73(2) to (9) of the said Regulations.

9. Since the company has failed to comply with several conditions specified in Regulation 71 of the said Regulations such as getting the existing schemes rated, appraised and creating a trust, etc., within the stipulated period of two years from the date of grant of the provisional registration, the company is required to wind up the existing schemes and make repayments to the investors. Further, the company is required to send an Information Memorandum to the investors, who have subscribed to the schemes, within 2 months from the date of receipt of the intimation from SEBI in terms of Regulation 73(2) of the said Regulations. SEBI vide its letter dated 25.4.03 advised the company, on completion of the winding up and repayment to the investors in terms of Regulation 73 of the said Regulations, to file a detailed report in the prescribed format so as to reach SEBI within 3½ months of the date of the Information Memorandum. Thereafter, a press release dated 2.5.03 was issued by SEBI to that effect.

10. However, the company has not wound up its schemes to make repayment to its investors in accordance with the said Regulations. Further, the company has failed to file the winding up report with SEBI. Thereafter, SEBI vide its order dated 27.11.03 directed M/s Ion Exchange Enviro Farms Ltd to refund the money collected under the schemes with returns to the investors within a period of one month from the date of the order.

11. However, the company has failed to comply with the directions contained in the order dated 27.11.03. In view of the non-compliance of the orders / directions issued by SEBI, I, in exercise of the powers conferred upon me under Section 11B read with Section 11 and Section 4(3) of the SEBI Act, 1992 and Regulation 65 of the SEBI (Collective Investment Schemes) Regulations,

1999, hereby prohibit the company/its promoters/ its directors / its managers / persons in charge of business of its schemes (whose names and addresses are mentioned in Annexure A enclosed herewith) from dealing in the securities market and also from accessing the securities market for a period of five years from the date of this order.

12. In case any aggrieved person whose name is mentioned in the enclosed annexure was not aware of the order dated 27.11.03 and the warning issued vide the said order and was not responsible for the conduct of the business of the company, may apply in writing within 15 (fifteen) days from the date of this order with all supporting documents to SEBI.

This is without prejudice to SEBI's right to take any other action as it may deem fit.

G.N BAJPAI

PLACE : MUMBAI

CHAIRMAN

DATE : 22nd January, 04

SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure A

Names and addresses of Directors/Promoters/Managers/Persons in charge of the business of the schemes of M/s. Ion Exchange Enviro Farms Ltd., Mumbai

1. Mr. Gopal Shankar Ranganathan

   11, Reva Apartments

   B.D. Road

   Mumbai- 400 026.

2. Mr. Jose Peter

   508 A Shivam I, 100

   Raheja Complex, Malad (E)

   Mumbai- 400 097.

3. Mr. K.R. Alpaiwalla

   Everest House

   Carmichael Road

   Mumbai- 400 026.

4. Mr. Murlidhar Digambar Dharmadhikari

   139 Abhinan Nagar

   Borivli (East)

   Mumbai- 400 066.

5. Mr. Abhiram Seth

   1st Floor, Tiecicon House

   Dr. E. Moses Road, Mahalaxmi

   Mumbai- 400 011.

6. Mr. Narendra Kumar Pandey

   1st Floor, Tiecicon House

   Dr. E. Moses Road, Mahalaxmi

   Mumbai- 400 011.

7. Mr. M.A. Sreeram Chellappa

   1st Floor, Tiecicon House

   Dr. E. Moses Road, Mahalaxmi

   Mumbai- 400 011.

8. Mr. V. Sreeram Rao

   1st Floor, Tiecicon House

   Dr. E. Moses Road, Mahalaxmi

Mumbai- 400 011.

9. Mr. Jaya Prakash Narakkat

   1st Floor, Tiecicon House

   Dr. E. Moses Road, Mahalaxmi

   Mumbai- 400 011.

10. Mr. Rajesh Sharma

    1st Floor, Tiecicon House

    Dr. E. Moses Road, Mahalaxmi

    Mumbai- 400 011.

11. Mr. P.S. Gupchup

    1st Floor, Tiecicon House

    Dr. E. Moses Road, Mahalaxmi

    Mumbai- 400 011.

12. Mr. V.G. Rajadhyaksha

    1st Floor, Tiecicon House

    Dr. E. Moses Road, Mahalaxmi

    Mumbai- 400 011.