

NATIONAL COMPANY LAW TRIBUNAL
NEW DELHI BENCH
NEW DELHI

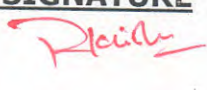
C. P. NO.
CA. NO. 16/191/14

PRESENT: SMT. INA MALHOTRA
Hon'ble Member (J)

**ATTENDANCE-CUM-ORDER SHEET OF THE HEARING OF NEW DELHI BENCH OF
THE NATIONAL COMPANY LAW TRIBUNAL ON 07.11.2016**

NAME OF THE COMPANY: M/s. Zed Investment Ltd.

SECTION OF THE COMPANIES ACT: 621A

S.NO.	NAME	DESIGNATION	REPRESENTATION	SIGNATURE
1.	P.K. Pillai	Advocate	For Respondent (Sebi)	

ORDER

This application has been filed by the petitioner for compounding of the offence of Sections 63 and 68 of the Companies Act 1956. The same is vehemently opposed by SEBI who have initiated a criminal complaint against the company and others, viz Mr. Rakesh Shrivastav and Sh. Rajkumar Shukla. Allegations against the petitioner are of having colluded in aiding and abetting and furnishing false information in the Company's prospectus dated 2.07.1996.

2. A public issue inviting investments from the general public was floated by a company viz M/s. Zed Investment Ltd. M/s. Geefcee Finance Ltd. had been appointed as its lead manager and the applicant, as one of the directors of M/s. Geefcee had authenticated and carried out due diligence for the satisfaction of SEBI to approve the issue. Ld. Counsel appearing for SEBI has stated that it was the modus operandi of the applicant to get shell companies registered at non-existing addresses with names of non-existing directors and then misappropriate the money collected from the public issue. It is alleged that the petitioner has deliberately made false misleading statements in the

Contd/-.....



prospectus. It is also submitted that the applicant is involved in other cases of similar nature which are now being prosecuted by the CBI. The allegations against the petitioner are of using the same modus operandi in the case of M/s. Kalyani Finance Ltd. for which he is facing criminal prosecution. Ld. Counsel submits that as such the present offence cannot be seen in isolation nor be considered as an inadvertent mistake, but has to be evaluated keeping in view the larger interest of investors in the securities market and to ensure their protection from being duped by such fly by night operators.

3. Amongst the various mis-statements made in the prospectus of M/s. Zed Investment Ltd., Ld. Counsel for SEBI states that alleged directors, namely Sh. Zile Singh, Sh. Neeraj and Sh. Anil Kumar are non-existent persons and their addresses given in the prospectus are false. The registered office of the company does not exist at the address furnished in the prospectus. The entire exercise of incorporating the company and floating the public issue was the brain child of the applicant and he, as the lead manager, had wilfully furnished false and incorrect information and certified that due diligence was carried out for the purpose of obtaining permission from SEBI to go public. Even as the lead manager it was incumbent on the petitioner to ensure that all the disclosures were true and accurate. Further the petitioner was also a signatory to the bank account opened and has aided and abetted the company in inducing the public into investing money which was siphoned off and diverted to his other companies, leaving the hapless investor to face the woes of being duped.

4. The allegations against the petitioner are grave. It is not a case of an inadvertent error. Even assuming he had no locus in the company, as a lead manager, a responsibility was cast on him to carry out the due diligence which is the foundation for SEBI to grant permission to a company to go public. That apart, the allegations made by the Ld. Counsel for SEBI is that the petitioner is in fact the mastermind behind the entire fraudulent scheme.



5. Though the aforesaid submissions of SEBI have not been corroborated before this forum, being allegedly grave, wilful and criminal in nature, compounding cannot be permitted. Such indulgence would scuttle the prosecution which is pending in courts and would also be a deterrent to the vigilance exercised by SEBI to safeguard the interests of investors. The petitioner of course has denied all these allegations. He is already before a Court in which he can disprove the allegations against him. As prima facie action of the petitioner appears to be wilful and deliberate it would not be appropriate for this Bench to compound the offence.

6. Application u/s 621A of the Companies Act dismissed.



(Ina Malhotra)
Member Judicial