

SEBI Caution to Investors - 31-07-2015

1. Some unlisted companies are luring retail investors by issuing securities including non-convertible and convertible debentures/ non-convertible and convertible preference shares/ equity shares in the garb of private placement, without complying with the provisions of Companies Act, 1956 read with the Companies Act, 2013, SEBI (Issue and Listing of Debt Securities), Regulations, 2008, SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares), Regulations, 2013 and SEBI (Issue of capital and Disclosure Requirements) Regulations, 2009.
2. Any offer of securities made to 50 or more persons has to be construed as a "Public Offer" under the provisions of Companies Act, 1956.
3. Under Companies Act, 2013, "Private Placement" shall be made only to such persons whose names are recorded by the company prior to the invitation to subscribe. Further, in case of private placements, the company shall not release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an offer. Further, such offer or invitation shall not be made to more than 200 persons in the aggregate in a financial year
4. As per the provisions of Companies Act, 2013 and SEBI Regulations, no issuer shall make public issue of these securities, unless it has made application to the recognized Stock Exchange(s) for listing of such securities. Further, the issuer, among the other things, is required to file the offer document with RoC/Stock Exchange/SEBI etc. The issuer has to make disclosures about the issuer company, the promoters of the company, the risk factors etc.
5. SEBI has taken action **against 193 such entities** for issuance of securities in the form of non-convertible and convertible preference shares/ non-convertible and convertible debentures/ equity shares to public, without complying with the prescribed provisions of law as referred in Para 1, 2, 3 & 4 above.
6. List of the Companies against whom orders have been passed by SEBI is given below with this press release. The orders are also available on SEBI website at www.sebi.gov.in
7. SEBI has also passed orders against entities/ individuals who have acted as debenture trustees for debt issuance of companies without being registered with SEBI as Debenture Trustee as per SEBI Act, 1992.
8. Companies are cautioned not to issue securities to public without complying with provisions of law as referred in Para 1, 2, 3 & 4 above, failing which SEBI will be constraint to take stringent action against such companies and their directors.
9. Investors are also cautioned not to subscribe to such issues. Investors are advised to see whether any such entity has filed offer document or filed application with Stock Exchange for listing.
10. Individuals/Entities acting as Debenture Trustees without being registered with SEBI, are advised not to act in the said capacity.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

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