

HC rejects DLF plea against SEBI probe, imposes Rs 2 lakh cost

The Delhi High Court on Tuesday imposed a cost of Rs 2 lakh on realty major DLF while dismissing its plea against market regulator SEBI's order to probe an allegation that it duped a city-based businessman of Rs 34 crore in collusion with its associate firm Sudipti Estates.

Justice Vipin Sanghi turned down DLF's plea against the market regulator's order, saying "I dismiss the writ petition with costs quantified at Rs 2 lacs. Cost to be paid within four weeks."

Justice Sanghi dismissed the DLF plea saying the order of the Securities and Exchange Board of India (SEBI) against it was "based on reasons".

"A perusal of the impugned order (of SEBI) shows that it certainly cannot be said that it has been passed arbitrarily or is irrational. The impugned order is clearly based on reasons which are relevant and material," it said.

DLF, in its petition, had sought quashing of SEBI's order, issued on October 20, for investigation into the allegations of complainant Kimsuk Krishna Sinha in 2007 against it and Sudipti Estates.

The court, in its 61-page judgment, said the SEBI Act has not put any bar on the market regulator to consider any evidence to form its opinion to order an investigation.

"There is no bar or impediment cast on the Board by the SEBI Act to say that it would not entertain or look into evidence that the complainant may rely upon in support of his complaint made earlier, while considering whether or not to direct an investigation," it said.

The high court said SEBI's powers should not be restricted as it has been created to look into the issues pertaining to stock exchanges.

"There is no reason to put any such fetter on the powers of the Board or to read such restrictions into the statute, which are clearly not there. The Board is the sole authority created by law to deal with the complex issues which arise in the management and supervision of the securities markets. Any such restrictions, artificially introduced, would denude the Board of its powers and hamper its

functioning," it said.

DLF had, in its petition, said SEBI's order was passed "erroneously and in blatant non-compliance with the principle of natural justice". The court, however, rejected the plea.

The court also rejected the contention of DLF's alleged associate Sudipti that SEBI has no authority to investigate its role as the firm's shares have not been traded through the stock exchanges on which the regulator enjoys powers.

"SEBI by the impugned order has directed investigation into the allegations leveled by the complainant against the petitioner about the breach of the SEBI (disclosure of Investor Protection Guidelines) 2000, read with the relevant provisions of the Companies Act, and in relation to the disclosure of information required to be made in the red herring prospectus by the petitioner-DLF," the court said.

SEBI had earlier ordered a probe into the issue of IPOs after the high court had asked it to look into the complaint of Sinha against DLF Group and Sudipti Estates and pass an order in three months.

In the FIR lodged against Sudipti in Delhi, Sinha had alleged the company and its directors/agents had "lured and compelled" him to transfer certain plots of land and did not fulfill the promise of developing the land and providing him higher returns. (More) PTI AHA SJK HMP RAX The market regulator had said in its order that "the Securities and Exchange Board of India shall investigate into the allegations leveled by the complainant in respect of DLF Limited and Sudipti Estates Pvt Limited."

"The investigations would focus on violations, if any, of the provisions of the erstwhile SEBI (Disclosure and Investor Protection) Guidelines, 2000, read with relevant provisions of the Companies Act, 1956," SEBI had further said.

Sinha had alleged Sudipti, DLF Home Developers Limited and DLF Estate Developers Limited were sister concerns inextricably linked and were part of the DLF Group.

DLF has, however, maintained Sudipti is a separate legal entity owned and controlled by different individuals.

The construction major in a Draft Red Herring Prospectus (DRHP), filed for a public issue in May 2006, had mentioned that Sudipti was its associate company.

The DRHP, however, had been withdrawn and thereafter, it filed a fresh prospectus in January, 2007, wherein Sudipti was not mentioned as an associate.

(ndtv)